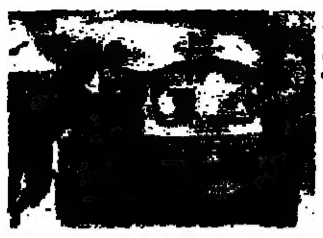
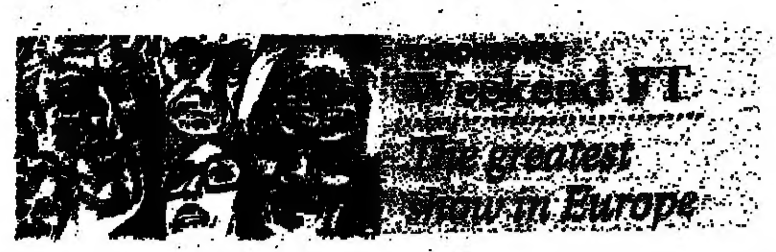
FINANCIAL TIMES

Douglas Warner
Making things happen at Morgan
Page 11

Gloomy days
Germany feels the pinch
Page 2



Bangkok's traffic
Hell gets a bit cooler
Page 4



World Business Newspaper — FRIDAY JANUARY 26 1996

Canadian PM acts to raise Quebec voice in cabinet

Jean Chrétien, Canada's prime minister, has brought two well-known Quebeckers into his cabinet in the first cabinet reshuffle since his Liberal government took office in 1993. His aim is to give the pro-Canada camp a stronger voice against secessionists in the French-speaking province. The prime minister has faced growing criticism over his national unity strategy since separatists nearly won an independence referendum last October. Page 6

Search begins for new Polish PM: Poland's ruling coalition leaders started the search for a new prime minister as leaders of the Democratic Left Alliance, the main party in the ruling coalition, were called to the presidential palace after the resignation of Jozef Oleksy. Page 3

Resistance looms to EU arms competition: Plans to open the tendering for European Union government defence contracts to full competition were floated by the European Commission. But resistance by member states with large arms industries means they are unlikely to become law in anything like their current form, despite increasing interest in defence co-operation. Page 2

Emu suggestion faces criticism:

French and German politicians reacted sharply against the suggestion by Valery Giscard d'Estaing, left, former president of France, that the criteria for European economic and monetary union be interpreted flexibly to ensure it could begin on time in 1999. Klaus Kinkel, German foreign minister, said Emu should be completed on schedule and with a strict interpretation of the criteria and Hervé de Charette, France's foreign minister, stressed his continuing commitment to the Maastricht conditions. Page 3

EU suspends Vietnam's textiles quota: The European Union has suspended a textile quota agreement which would have allowed Vietnam substantially increased exports because Hanoi failed to grant the EU reciprocal access to its market. Page 5

Pledge by Finnish prime minister: Paavo Lipponen, Finland's Social Democratic prime minister, has promised his government will maintain fiscal discipline despite mounting criticism of its failure to tackle one of the Europe's highest unemployment rates. Page 3

Problem for German forecasters: The sharp downturn in the German economy has proved a problem to most of the country's forecasters, who did not predict it, then denied it was happening, and now say it may soon be over. Page 2

Rover notches up success outside Europe: A steep rise in exports outside Europe has resulted in BMW's Rover subsidiary in Britain producing more than 500,000 vehicles last year. Page 7

Hyundai plans expansion: Hyundai Motor, South Korea's largest car company, plans to double production to 2.4m vehicles by 2000 and increase annual sales to $26bn. Page 13

Race for top HK post: The race to become Hong Kong's first chief executive has taken a fresh turn with China's two most senior advisers in Hong Kong declaring themselves for different candidates. Page 4

Beer supply halted: Indonesian brewers have stopped supplying beer to Bali, the country's prime tourist destination, in protest against a new tax on beer levied by a company understood to be controlled by President Suharto's grandson. Page 12

Profits boost for Boeing: Reduced income tax charges, caused by the recent 10-week strike by Boeing engineers, helped generate a 39 per cent surge in fourth-quarter net profits at the US aerospace group. Page 13

American trade dispute over books: Books and magazines are at the centre of a trade dispute between the US and Canada. Page 5

Japan may toughen derivatives reporting: Japan's finance ministry is considering tougher rules to force securities companies to improve reporting of their derivatives exposure. Page 4

EU poised to win China aircraft contract: China is poised to approve a project to build a 100-seater passenger aircraft, with a European consortium favoured to win the contract, according to a UK trade minister. Page 5

STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	5,233.61	(-9.03)
NASDAQ Composite	1,042.26	(-1.20)
Europe and Far East		
CAC40	1,960.19	(+4.22)
DAX	2,443.72	(+20.65)
FT-SE 100	3,734.2	(-24.0)
Nikkei	20,414.88	(+101.95)

US LUNCHTIME RATES

Federal Funds	5½%
3-mth Treas Bills: Yld	5.086%
Long Bond	110¾
Yield	6.088%

OTHER RATES

UK: 3-mo Interbank	6¼%	(Same)
UK: 10 yr Gilt	107¼	(108⅛)
France: 10 yr OAT	106.32	(106.79)
Germany: 10 yr Bund	101.09	(101.55)
Japan: 10 yr JGB	111.236	(110.974)

NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$16.62½	(16.97)

GOLD

New York: Comex		
Feb	$405.7	(403.5)
London:		
close	$407.9	(402.9)

DOLLAR

New York lunchtime		
£	1.5087	
DM	1.4867	
FFr	5.1015	
SFr	1.196	
Y	106.725	
London:		
£	1.5147	(1.513)
DM	1.4763	(1.4803)
FFr	5.076	(5.0758)
SFr	1.1879	(1.1901)
Y	106.495	(106.755)

STERLING

DM	2.2361	(2.2397)
Tokyo close:	Y 106.82	

Albania	LEK220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.55	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk55
Bulgaria	Lv130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pta250
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£85.00
Estonia	EKr22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils.650	Portugal (m/land)		Turkey	L70,000
France	FFr11.50	Lebanon	US$1.50		Es240	UAE	Dh12.00

Appointment may signify lurch towards more economic intervention

Ex-Lada chief handed Russian deputy PM job

By John Thornhill in Moscow

Mr Vladimir Kadannikov, one of Russia's most prominent industrialists, was yesterday appointed first deputy prime minister in a move which could signify a further lurch towards more interventionist economic policies.

Formerly head of Avtovaz, maker of the Lada car, Mr Kadannikov will be in charge of the country's economic policy even though the vehicle manufacturer has not produced a new model of the Lada this decade.

He has frequently called for more state support for industry, higher tariffs to protect domestic producers, and the curtailment of the strong rouble policy which has hit exporters.

Mr Kadannikov's instincts would appear to run counter to the liberal economic policies pursued by his predecessor, the reformist Mr Anatoly Chubais, who was sacked last week.

Mr Kadannikov faced criticism while at Avtovaz for being slow to respond to changed market conditions. Yesterday he said: "Only the development of national industry and the strengthening of domestic producers, whether state or private, can solve the social problems Russia now faces."

His appointment follows recent statements from Mr Oleg Soskovets, the other first deputy prime minister, criticising recent attempts "to mimic the market economy practices of other countries without taking our specific characteristics into account".

The uncertainty surrounding the course of economic reform has led to fears in the country's nascent financial markets that the government will relax monetary policy, reigniting inflation.

It has also complicated discussions with the International Monetary Fund over a three-year $9bn loan. It now appears highly unlikely that the IMF mission, currently in Moscow, will be able to reach a preliminary decision by the end of the month as had been expected.

In spite of the apparent shift in emphasis in economic policy, President Boris Yeltsin warned that people should not draw "lightweight and hasty" conclusions about the significance of the latest reshuffles.

In a speech to the Moscow state technical university, Mr Yeltsin reinforced his commitment to the political and economic reform programme.

His rhetoric has veered sharply towards the hardline camp since Communists and ultra-nationalists topped the polls in last month's parliamentary elections. This has led to speculation that he will run in the presidential elections in June, although he is not due to announce his intentions for another three weeks.

Mr Alexander Livshits, the president's chief economic aide who was also a contender to replace Mr Chubais, said no "drastic" steps would be taken to change the course of reform. "Any such steps or statements would be fraught with a market crash no deputy prime minister would cope with," he said.

Mr Yeltsin yesterday also appointed Mr Alexander Kazakov as head of the state property committee, which oversees privatisation policy.

Car tsar, Page 2
Poland's search, Page 10
Editorial Comment, Page 11

Vladimir Kadannikov: frequently urged more state support for industry and higher tariffs to protect domestic producers Picture: Reuter

US threatens Japan over music industry rights

Row over protection of recordings may spark action against Tokyo in World Trade Organisation

By Michiyo Nakamoto in Tokyo

The US has threatened to take its first action against Japan in the World Trade Organisation over a dispute concerning intellectual property rights in the music recording industry.

Mr Mickey Kantor, US trade representative, said he was unhappy with Japanese interpretation of regulations concerning the protection of recordings. Japan extends agreed retroactive rights to 1971, while the US insists that Tokyo should uphold protection back to 1946.

Mr Kantor said Japan's failure to change its rules "would appear to give the US no recourse other than to pursue its rights under the WTO". He also said Japan would remain on the US government's priority watch list of countries with allegedly inadequate protection against intellectual property violations.

The dispute centres on the intellectual property rights of recording companies and musicians on recordings made in the distant past and involves potentially huge sums in royalties for companies and musicians in the US and other countries.

The intellectual property rights of music composers and lyric writers are protected for 50 years after their death. But the rights of recording companies and musicians – known as neighbouring rights – were only agreed by many countries in 1993 under the Trade Related Aspects of Intellectual Property Rights (Trips) agreement. Under this agreement, which came into effect on January 1 this year, signatories are obliged to protect those rights retroactively.

However, it is not clear how far such retroactive protection must extend, according to an official at Japan's agency for cultural affairs. Under Japanese law, neighbouring rights are retroactive only to 1971, when Japan's intellectual property law was revised.

In contrast, in the US and many European countries, retroactive protection lasts until 1946, 50 years from when the Trips agreement came into effect. The US claims Japan has a similar obligation. The Japanese authorities, however, claim their decision to take neighbouring rights back only to 1971 was cleared by the World Intellectual Property Organisation and other Trips signatories, including the US.

While large Japanese recording companies have licensing agreements with the owners of neighbouring rights, there is no law to prevent a growing number of companies which do not pay licensing fees from selling CD and tape copies of popular 1960s' western rock and roll music.

Record number of sell-offs may raise $55bn this year

By Antonia Sharpe in London

The privatisation of state-owned companies by west European governments could raise a record $55bn this year, more than double last year's total of $24bn, according to a study by J. P. Morgan, the US investment bank.

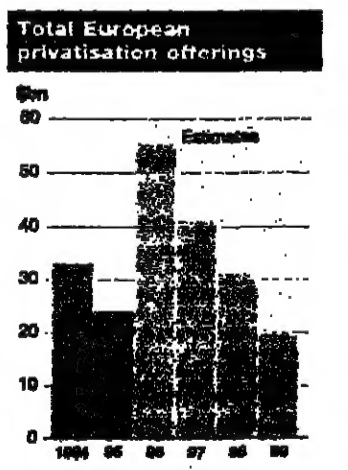
The biggest sell-off this year is set to be Deutsche Telekom, Germany's telecommunications company, which could raise about $10bn. Italy could raise up to $6bn from the sale of shares in Stet, its telecoms company.

Mr Gary Dugan, J. P. Morgan's European equity strategist and the author of the study, estimates that Europe's "ambitious" privatisation programme will account for about 65-70 per cent of offerings worldwide this year.

In fact privatisations by Italy, Germany and France are expected to dominate offerings by governments from now until the end of the century.

The UK, a trail blazer in the privatisation of state assets, will have little left to sell after this year's disposals of Railtrack, owner of British Rail track and signalling, and British Energy, which will run Britain's modern nuclear generating plant.

The study says privatisations were concentrated in a smaller number of sectors last year than in 1994. There were no sell-offs in the insurance, pharmaceuticals or car manufacturing sectors. However, the telecoms sector saw several issues for the fifth consecutive year. This sector alone accounted for about 25 per cent of the total raised in European privatisations last year.



Source: JP Morgan

Telecom offerings are set to dominate the European privatisation programme this year, a trend which the study views with some concern.

"In our opinion, the sector split of privatisations does not fit with the type of stocks investors may wish to have in their portfolios in 1996," says the study.

The continued dominance of telecoms issues this year comes in the wake of a muted response from international investors to offerings last year from Spain's Telefónica and Indonesia's PT Telkom. However, analysts believe fears of a buyer's "strike" this year are overdone.

"The political situation in Italy means that Stet might not happen which would make Deutsche Telekom much more digestible," said one analyst.

But bankers say governments may have to reduce their expectations of the amount they can raise after experiences in Indonesia and France last year where investors refused to pay over the odds for state-owned assets.

"The lesson which emerged in 1995 was that if an offering is priced and allocated correctly, and if incentives for retail investors are included, then it can succeed," said Mr James Leigh-Pemberton, head of European equity capital markets at CS First Boston.

The J. P. Morgan study says there was a considerable slowdown in privatisations in other regions last year. Latin American privatisations came to a halt after the Mexican peso crisis, but they should pick up this year with offerings from Brazil and Peru in the pipeline.

Demand for Repsol exceeds offer, Page 13

Congress drafts bill to avert another shutdown

By Patti Waldmeir in Washington and Lisa Bransten in New York

The White House and the US Congress were struggling yesterday to agree another stop-gap spending bill to keep the federal government open beyond midnight tonight.

The administration was yesterday considering a draft bill from Congress which would extend funding for a month while broader budget negotiations continue. But Mr Mike McCurry, the White House spokesman, cautioned that some language appended to the bill – believed to include measures to stop research on aborted foetuses – might not be acceptable to President Bill Clinton.

However, both sides made clear their intention to resolve any problems and avoid another shutdown, which would prove very unpopular with voters.

Nervousness over the continuing budget battle and the possibility of a US default was one factor pushing down US bond prices yesterday. In early afternoon trading, the benchmark 30-year Treasury bond was off over a point at 110⅜ to yield 6.101 per cent.

Late on Wednesday the credit-rating agency Moody's said it had placed $387bn worth of Treasury debt on review for a possible downgrade, citing uncertainty about the Treasury's ability to continue making interest payments.

Meanwhile, the White House and Republican leaders continued to debate how to find a definitive end to their budget stand-off, perhaps by agreeing a limited agenda of spending cuts and tax credits.

Republicans have offered to set aside their broader differences with the White House, including the year-long conflict over reforming publicly funded healthcare and welfare, until after the November presidential elections.

This would mean the Republicans backing down on their demands for radical budget savings, and agreeing to a more limited $100bn in savings, in what Mr Newt Gingrich, the

Continued on Page 12

CONTENTS

 No 32,892 Week No 4
LONDON • LEEDS • PARIS • FRANKFURT • STOCKHOLM • MADRID • NEW YORK • LOS ANGELES • TOKYO

Germans do not like the economic outlook - no matter what anyone says

Sunny forecasts fail to dispel gloom

By Wolfgang Münchau in Frankfurt, and Judy Dempsey and Michael Lindemann in Bonn

The sharp downturn in the German economy has proved a problem to most of the country's forecasters – they did not predict it, then they denied it was happening, and now they are saying it may soon be over.

But while they have been consistently optimistic, companies and consumers have been *consistently pessimistic. Their* current mood suggests that the economic picture is bound to get worse, as sector after sector reports deteriorating returns.

Profit growth, where it exists at all, originates mostly from a squeeze on suppliers and from *staff cuts, the companies say,* and this in turn adds to spending restraint.

The level of car purchases – generally considered to be one of the best indicators of the state of the German soul – suddenly dropped off in the middle of last year, according to the VDA motor industry association. "The prospect for 1996 does not give cause for optimism," it says.

Car dealers all over the country are feeling the pinch. Mr Rainer Gutmann, a consultant at Autohaus Müller, a Volkswagen dealership in Frankfurt, *said he had noticed in particular* a fall in sales to private customers, while those to business were holding up.

"In many ways, the situation now is worse that in the last recession," he said. "Unlike then, people have more money; there is a lot of inherited money swirling around. But people are afraid of losing their jobs, so they keep driving their old cars a little while longer. The only encouraging thing is that people don't try to save money on safety equipment."

He said many Germans, once punctilious about paying on time, were frequently resorting to delays, putting small suppliers at risk.

Similar pessimism prevails in the rest of the retail sector, apart from aggressive discount department stores.

Mr George Hardy, who owns three interior design shops in one of Berlin's fashionable districts, shrugs his shoulders when he thinks about the future. "I've seen times when people hold back for a few weeks in terms of ordering or buying furniture. But over the past year *I have seen a sea-change.* People are simply not spending."

Mr Hardy expects no improvement in the coming months: "The taxes are too high. Consumer spending is flat. I see no signs of a let-up."

Mr Steffen Kern from Germany's association of retailers (HDE), said: "The problem is that the growing fear of unemployment will damp down any expectations of an improvement *in the retail sector over* the coming months."

HDE expects zero growth in the retail sector this year – and that follows three years of negative growth. Economists believe consumer spending will not grow by more than 2 per cent this year. This bodes ill for the industry which accounts for about 27 per cent *of total gross domestic product* and employs 3.3m people.

The energy sector is just as dependent on a rise in consumer spending. Mr Matthias Köppel from RWE, Germany's largest utility, reckons that overall energy consumption will grow by only 0.5-1 per cent. "We are not that optimistic," he said, despite the bitterly cold weather in recent weeks.

The sector had been hoping *that the abolition of the Kohlepfennig,* a surcharge on domestic electricity consumers to subsidise the coal industry, would boost energy consumption. "We do not see any signs of that," said Mr Köppel. "The tax burden and the fear of unemployment means that people are holding back."

The other reason they are *holding back* is that real incomes fell in 1994 and 1995, as higher taxes and social security contributions outstripped pay rises. This year, the government cut some taxes, giving Germans at least an extra DM10bn (£4.5bn) to spend, according to conservative estimates, but few see this feeding through into significantly higher consumption.

The chief executive of a medium-sized electronics company was blunt about the prospects for higher consumer spending. "It's all window-dressing. There may be less taxes to pay but other costs – health insurance, national insurance contributions, the fees for public services – have all gone up. There can't be any higher *consumer spending.*"

Other industrialists point out that German industry is working below full capacity anyway, so there is little incentive, and not much money, to make further capital investments.

The bigger companies may be slightly more optimistic but point out that whatever growth rates there may be will be insufficient.

Mr Gerhard Cromme, who heads the Krupp Hoesch steel and engineering group, said "investments in plant will rise by perhaps 3 or 4 per cent this year, but what we really need is 6 or 8 per cent." He and others say there was a "psychological collapse" last autumn when German companies first felt the impact of the stronger D-Mark on their order books.

The debate about Germany's competitiveness, its high labour costs and tough regulatory environment, has added to the prevailing uncertainty. Some companies have moved production abroad, especially to countries like Poland or the Czech Republic.

Construction industry expects lowest investment in 30 years

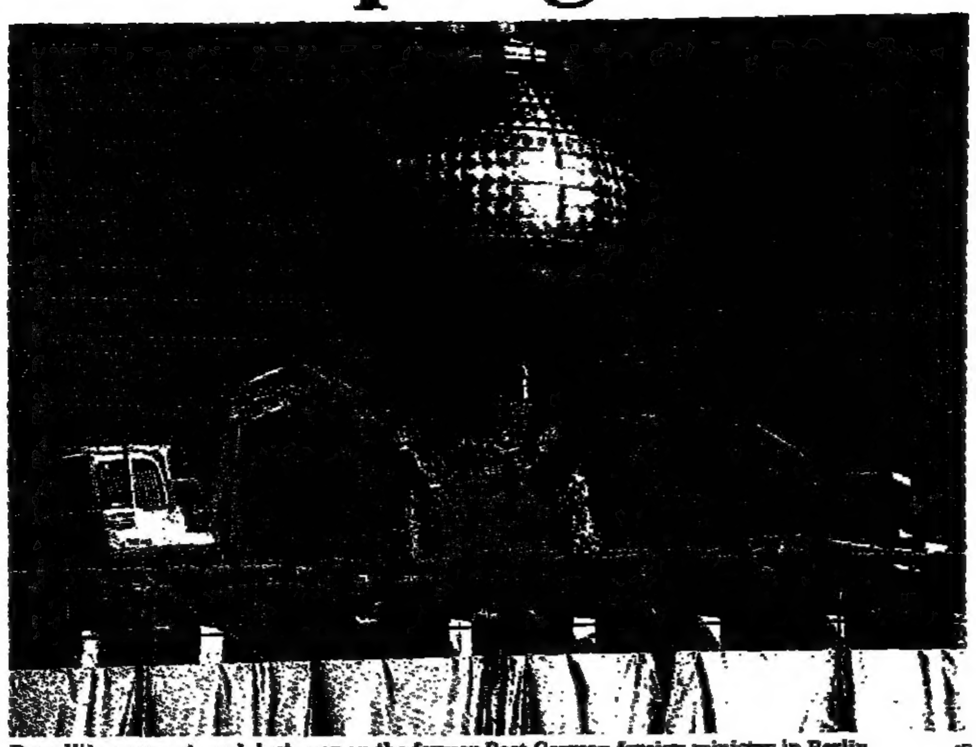
Pessimism about German economic growth prospects increased yesterday when the construction industry said it expected investment this year to be the lowest for 30 years and unemployment in the industry to rise by almost half to 300,000, writes Judy Dempsey.

The forecasts coincided with a report by the industry association (BDI) showing insolvencies for the first 10 months of *last year at 18,000, 17 per cent ahead of the level in the same* period in 1994. The number of employees in the manufacturing and mining sectors fell by 3 per cent over the same period.

The reports are likely to increase pressure on the government to produce a convincing programme for stimulating the economy and creating jobs when it unveils a special package of measures, including tax proposals, next Tuesday along with its economic forecasts.

Mr Christian Roth, president of the construction industry association, predicted yesterday *that the number of insolvencies* in the sector this year would rise to 6,000 from last year's record 5,500, leading to a further 90,000 jobs losses. It would also depress prospects of any pick-up in investment.

Public sector construction investment is expected to fall 5 per cent in west Germany in real terms to the lowest volume for three decades. A 3 per cent drop is forecast in the east, largely because *local* authorities are under pressure to reduce costs by cutting public expenditure.



Demolition crew at work last year on the former East German foreign ministry in Berlin AP

Brussels backs defence competition

By Emma Tucker in Brussels and Bernard Gray in London

Plans to open the tendering for government defence contracts to full competition were floated yesterday by the European Commission. But resistance by member states with large arms *industries means they* are unlikely to become law in anything like their current form, despite increasing interest in defence co-operation.

Brussels believes that extending public procurement rules to the defence sector to ensure that all companies have a chance to tender could reduce costs dramatically and improve the competitiveness of Europe's defence industry.

At the moment defence contracts are specifically exempted from single market rules which force governments to hold open competitions under Article 223 of the Treaty of Rome. France, in particular, has pursued a policy of national autarchy in defence procurement for more than 30 years.

According to Mr Martin Bangemann, *the industry commissioner, such* policies lead to the fragmentation of the European defence market, generate unnecessary costs and reduce the competitiveness of European companies.

Mr Hans Van den Broek, the external relations commissioner, said yesterday: "The state of health of the defence industry is such that.... unless action *is taken soon whole branches of the* industry could disappear in Europe."

Brussels claims that rationalisation of defence procurement could save national budgets as much as Ecu11bn (£9bn) a year. It also argues that this rationalisation should go hand in hand with development of a common EU foreign and security policy.

While many countries have traditionally protected their defence industries, *the reduction in defence spending since* the end of the Cold War has increased pressure for consolidation across national boundaries. This week Mr Charles Millon, the French defence minister, repeated a call for the creation of a European defence industry. France and Germany recently formed a common procurement agency, which *Britain would like to join.*

However, these countries are unlikely to agree to a fully open market in the near future. Britain's defence ministry said yesterday it supported an open market, but that Article 223 was still needed for national security reasons.

The Commission's plans were put forward in a discussion document, to be presented to the Council of Ministers and the European Parliament, on the need to develop a common European defence industry. "A common foreign and security policy loses its significance if Europe does not have its own arms competence," said Mr Bangemann.

It is too early to say whether the Commission will come forward with definite proposals for developing a common European defence policy. Much *depends on the reception that the document* – the result of discussions with industry – receives from ministers.

Denmark questions aid for shipyard

By Hilary Barnes in Copenhagen

Denmark's government has asked the European Commission to investigate German financial backing for the Bremer Vulkan Shipyard, one of the Danish shipbuilding industry's main European competitors.

Bremer Vulkan, with 23,000 employees, was recently saved from collapse by the provision of loans and state-backed guarantees from the City of Bremen to the value of DM220m ($150m).

Mr Thorkil Kristensen, managing *director of the Association* of Danish Shipbuilders, said yesterday that government support for shipyards was forbidden under European competition rules without the prior approval of the European Commission.

Danish officials have been *lobbying in Brussels for an* investigation of the financing of Bremer Vulkan. The industry ministry said it was "difficult to see" how any aid given to the yard could be approved by the Commission.

"We have no reason to think that the Commission will not handle this case correctly, but we shall be keeping a very careful eye on it," he said.

The Danes already have one case pending in the European Court involving MTV, one of the largest of the east German shipyards, which was bought by Bremer Vulkan after the country was reunified.

The Association of Danish Shipbuilders, backed by the Danish government, is alleging that the Commission exceeded *its powers when it approved* German government subsides to the eastern shipyards.

They maintain that the capacity of the modernised yards would be far bigger than was agreed by the Commission when the subsidies were first proposed.

The Danish government itself has refused to provide *any form of financial support* for Copenhagen's Burmeister & Wain shipyard, which is threatened with closure in March.

The yard's creditors claim they have put together a plan which will keep it open, but have not published details of the plan and the shipyard's future is in the balance.

B & W's problems aside, the industry ministry recently published a *report concluding* that the country's shipbuilding industry was internationally competitive and had a bright future as long as it did not have to compete against yards receiving direct or indirect state subsidies.

Council of Europe votes Russia in

By Caroline Southey in Strasbourg

His face flushed, his finger wagging menacingly, Mr Vladimir Zhirinovsky shook the Council of Europe chamber yesterday as he threatened: vote against us today and you will drive millions of Russians into the arms of my ultra-nationalist party.

"If you vote against Russia *today I* will be grateful to you. It will be a gift to my party for the next presidential elections. Every time I tell Russians how much western Europe hates them they vote for me," he told European parliamentarians at the 38-nation body.

They did not. The delegates decided by the unexpectedly wide margin of 164 to 35 to allow Russia in as the 39th member of the council, which seeks to promote human rights and democracy in Europe. But they attached more conditions to Russian membership than to any previous accession.

The vote will be welcomed in Moscow where it was seen as a measure of the west's support for President Boris Yeltsin, even though the delegation arguing the case included some of his bitterest rivals – Mr Gennady Zyuganov, the Communist leader whose party dominated December's parliamentary elections, and Mr Zhirinovsky, whose party is a significant force in parliament.

During yesterday's all-day debate – in which the other Russian delegates were rather more low-key than Mr Zhirinovsky – a large majority of speakers urged the 249 delegates from the 38 national parliaments to set aside their misgivings about the vicious war in Chechnya, human rights abuses and the absence of the rule of law and to say Yes to the *Russian* Federation.

But interventions from the floor reflected deep concerns felt by the delegates who just a year ago voted to suspend Russia's membership application in protest against the Kremlin's brutal suppression of the Chechen separatists.

While Mr Zhirinovsky's unsophisticated bullying might have been easy to dismiss, the issues he raised touched raw nerves, particularly over Chechnya and the dangers of a Russian Federation isolated from the rest of Europe.

The majority appeared to favour Russian accession as an antidote to further destabilisation, but a significant minority argued that acceptance of its fledgling democracy was premature.

Mr Ernst Muehlemann, the Swiss MP responsible for the report recommending accession, warned that keeping Russia out would make it more frustrated and "more aggressive". The council had a responsibility to restore stability in the Caucusus so that the region did not become "a second Balkans".

Seeking to reassure wavering delegates that Russia could be brought to book if it failed to apply the council's rules, Mr David Atkinson from the UK suggested that if Russia "failed to fulfil its obligations", the assembly had a number of sanctions, including suspension of membership.

Mr Evgen Marmazov from *the Ukraine, breaking ranks* with Russia's other close neighbours, argued that delegates should welcome Russia, despite the absence of the rule of law. "We have accepted a series of countries which did not comply with the host of standards set down by the assembly. A similar approach should be applied to Russia."

Others were more cautious. Mr Jaromir Kalus from the Czech Republic reminded the assembly that he was of the generation which "woke up to find Russian tanks on the street. A quarter of a century later, Russian tanks have invaded their own territory."

A delegate from Estonia warned against voting for Russia's accession on the basis of a "surreal mixture of wishful thinking and fears". Russia was not a state based on the rule of law and the council should accept only a "modern state ready to fulfil its obligations".

In a similar vein Mr Dumeni Columberg, a Swiss MP, warned that it had been a "dreadful illusion that an enormous empire such as Russia could be reformed in only five years and that democracy would succeed so easily. It was a further illusion that the weak monitoring of the Council of Europe could ensure that Russia honoured its commitments."

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: Hürriyet International GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boetie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
R

Russian's promotion to government post draws withering fire

Car tsar takes wheel of economy

By John Thornhill in Moscow

One of Russia's *foremost* liberal economists, Mr Andrei Illarionov, made clear yesterday what he expects from Mr Vladimir Kadannikov, just confirmed as first deputy prime minister in charge of economics. "Look at what is happening at Avtovaz," he said, "and you will understand what will happen to Russia."

The comparison was not meant to be flattering. Avtovaz, Russia's biggest car plant, which has been run by Mr Kadannikov since 1988, has recently fallen into a perilous financial state and has been forced to settle its delayed wages bill by raiding its reserves.

The vast Avtovaz plant, based in Togliatti *in southern Russia,* was built in an enthusiastic burst of Soviet central *planning to be the* pre-eminent car manufacturer and still employs 100,000 workers.

It has turned out thousands of basic Lada cars, adapted from an original Fiat design, which have become the butt of many a cruel Russian joke.

Despite being a life-long member of the Soviet Communist party, Mr Kadannikov eagerly embraced the opportunity to privatise the company – *the management* and employees own 38 per cent – and drew up a number *of grandiose* development plans. But none has produced concrete results and Mr Kadannikov's management has attracted increasing criticism.

In a withering attack in yesterday's Sevodnya newspaper, columnist Mikhail Leontyev wrote: "The plant which Mr Kadannikov manages is in an appalling condition even taking *into consideration* the objective economic problems in the Russian market."

Mr Leontyev claimed Avtovaz had not produced a new model since 1988 despite building up company debts of Rbs5,500bn ($1.2bn). The management had no answers to their problems other than calling for higher tariffs on imports, he said, accusing them of redeploying company *assets into the related Logovaz* financial enterprise.

Not all assessments have been so harsh. Mr Roger Gale, the head of the Moscow office of the International Finance Corporation, investment arm of the World Bank, said: "Kadannikov is personally a very charming man and is physically very imposing. He is certainly very respected in *industrial circles.*"

Whatever Mr Kadannikov's merits as an industrial manager, his political skills are not in doubt. He is a frequent visitor to the Kremlin and is close to many of President Boris Yeltsin's aides. A photograph of him with the president featured prominently in the latter's autobiography.

In 1992, Mr Kadannikov came close to being appointed prime *minister following Mr* Yegor Gaidar's dismissal. But he lost out to Mr Victor Chernomyrdin, an industrialist of seemingly similar style and convictions, who has since turned out to be an effective proponent of economic reform.

EUROPEAN NEWS DIGEST

Rome pressure on Alitalia

The Italian government has embarked on a finely balanced game of threat and bluff to persuade recalcitrant Alitalia pilots to accept a *restructuring plan to* relaunch the national carrier.

Mr Giovanni Caravale, the transport minister, yesterday warned the pilots that if they failed to reach an agreement, *especially on a truce* on industrial unrest, the government would be obliged to step in with a much tougher shake-up of Alitalia. "This would mean the European Commission imposing extremely strict conditions regarding the growth prospects and development that would penalise the company."

However, the minister also showed some optimism that a deal might be reached following the breakdown a week ago of talks between Alitalia management and unions. "There are signs of rethinking and greater maturity among the protagonists," he observed.

Fresh talks are expected to begin again today with *representatives* of the unions. Negotiators are attempting to separate the thorny issue of pay from other areas where there is evidence of an emerging consensus – the idea of an 18-month labour truce and the need for a L1,500bn ($950m) capital injection. *Robert Graham, Rome*

Eutelsat opens its doors wider

Eutelsat, the European satellite communications group, has *opened the door to investors other* than *its existing owners* to hold shares in the company, allowing new telecoms operators and broadcasting organisations to invest in and have access to the group's satellite systems.

The move is seen as a response to the increasingly competitive nature of satellite communications in Europe and also represents a step closer to privatisation.

Eutelsat is controlled by its 44 member countries, each of which holds a stake in the group through a designated *signatory – usually the country's principal* telecommunications operator. The group's controlling body meeting in Paris yesterday agreed a change in its rules allowing more than one signatory for each member country.

Eutelsat is in direct competition with Luxembourg-based Société Européenne des Satellites, owner of the Astra satellite system. The main battleground is digital television; when Astra's three latest satellites are in place at the end of next year it will be able to direct 500 channels of digital television towards Europe. Eutelsat is launching three new satellites called "Hot Bird" capable of either analogue or digital broadcasting with a further 500-channel capacity.

Broadcasters entering the digital television field might feel more confident using Eutelsat if they had a stake in the company, officials said. *Alan Cane, London*

Hungary to start power sell-off

Hungary's state privatisation and holding company (APV) is to offer 8 per cent stakes worth Ft 19.1bn ($136m) in the country's six electricity *supply companies to holders of* government-issued coupons. The first exchange will begin on February 12 be for Ft 3bn worth of shares in Demasz, the supply company in the south of Hungary, according to Mr Tamas Suchman, the privatisation minister. In a new move, a fifth of the shares in the Demasz offer will be allocated to holders of coupons living abroad.

Later in the year, a 2 per cent nominal value Ft 5bn stake in MVM, the national electricity company, and a 5 per cent nominal Ft 5bn stake in MOL, the national oil and gas company, will also be offered in exchange for coupons.

At the end of last year, *APV sold* 48 per cent *stakes* in the electricity supply companies to French and German utilities. *Electricité de France paid $155m,* or 120 *per cent of* book value, for 47.7 per cent of Demasz. *Kester Eddy, Budapest*

Turkey names new speaker

Turkey's parliament elected a new speaker yesterday, setting the clock running for the formation of a new government. Party leaders have 45 days following the speaker's election to agree on a coalition, failing which the president must call fresh elections. *MPs chose Mr Mustafa Kalemli,* of the conservative Motherland party, as speaker, easily defeating *the candidate of the Islamist Refah party,* the largest in parliament. However, Refah's candidate still managed to attract votes from 39 secularist MPs in yesterday's ballot, taking 196 votes. Parliament has 550 members. Coalition talks are making little headway, even though general elections were held over one month ago. Mrs Tansu Çiller, caretaker prime minister and head of the conservative True Path party, is attempting to attract the Motherland party into an alliance. But Mr Mesut Yilmaz, Motherland party leader, has indicated *that personal and political differences with Mrs Çiller* are insurmountable, encouraging speculation that he may seek a coalition deal with Refah. *John Barham, Ankara*

Machine tool output rises

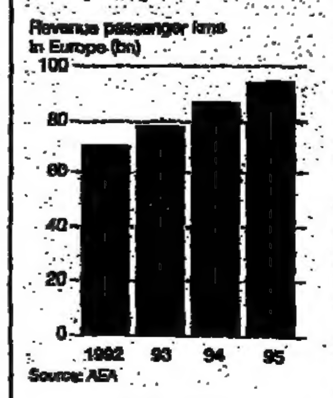
West European machine tool makers, badly hit by the recession of the early 1990s, are enjoying a strong recovery in output and in exports, according to Cecimo, the industry's *European umbrella organisation. Production will rise 10-15* per cent in 1996, following an estimated 22 per cent increase last year, says Cecimo.

But Mr Jean Heymans, secretary general, said yesterday the recent recovery started from a low base in the depths of the recession. He added that even though volumes were rising, the industry's profits remained under pressure, squeezed between increases in the costs of raw materials and an inability to pass on the price rise to customers.

Cecimo estimates *machine tool output last year in 12 leading* European producing countries rose to Ecu12.38bn (£10.4bn) including exports of Ecu8.59bn. Imports totalled Ecu4.92bn. The British Machine Tool Technologies Association forecasts a strong year for the UK industry, with an 18 per cent output *rise in both 1996 and 1997.* *Stefan Wagstyl, London*

ECONOMIC WATCH

Air passenger travel up 6.3%



Passenger travel on European airlines within Europe grew by a *further* 6.3 per cent last year, to 94.87bn kilometres of passenger revenue, up from 87.3bn in 1994, according to the Association of European Airlines (AEA) yesterday. Total international passenger travel for member airlines was up 7.6 per cent to 372.8bn km, from 346bn in 1994. December international freight traffic rose 3.8 per cent to 1.980bn revenue freight tonne km, for a 1995 increase of 7.6 per cent to 22.46bn from 20.82bn. The increase means intra-European airline traffic has increased by almost 30 per cent in the past three years. Mr Karl-Heinz Neumeister, secretary general of the Brussels-based AEA, said the rapid increase was a consequence of the liberalisation of European air traffic over that time. "It is clear that the ability of airlines to exercise scheduling and pricing freedom has had a positive effect," Mr Neumeister said.

"Nevertheless, there is a catch. How long can the infrastructure within which we operate go on absorbing such huge numbers of new travellers each year?" he said. *Richard Adams, London*

● Dutch GDP growth in the third quarter of 1995 was 2.2 per cent, compared to the preliminary estimate of 2.3 per cent published in November. *AP, Amsterdam*

NEWS: EUROPE

Poland searches for a PM

By Anthony Robinson and Christopher Bobinski in Warsaw

Poland's ruling coalition leaders yesterday started the search for a new prime minister as Mr Lech Walesa, the former president, repeated his call for fresh parliamentary elections to resolve the country's political crisis.

President Alexander Kwasniewski called leaders of the Democratic Left Alliance (SLD), the main party in the ruling coalition, to the presidential palace following the resignation on Wednesday of Mr Jozef Oleksy. The former premier faces an official investigation into his alleged links with Russian intelligence.

The president then held separate talks with Mr Waldemar Pawlak and other Peasant Party (PSL) leaders before the junior coalition partner set off for talks with the SLD to try to find a mutually acceptable candidate, avoiding the need for early general elections.

However Mr Walesa, who lost the presidential election to Mr Kwasniewski last November, said yesterday the only democratic "way" to resolve such a crisis would be "to hold new elections".

The PSL is making a bid for the premiership but its candidate – Mr Miroslaw Pietrewicz, a former academic who heads the central planning ministry – is not taken seriously by the SLD which wants to keep the top government post. It indicated nevertheless that Mr Jozef Zych, a senior PSL politician, marshal of the Sejm, the lower house of parliament, would be acceptable.

Mr Zych is not believed to be interested in the premiership and the SLD hopes it can persuade its coalition partner to accept Mr Marek Borowski, a former finance minister, who is close to the president and heads the powerful cabinet office of Mr Wlodzimierz Cimoszewicz, deputy speaker of the Sejm.

Mr Cimoszewicz stood unsuccessfully for the presidency against Mr Lech Walesa in 1990 and took over as head of the constitutional committee when Mr Kwasniewski, its former chairman, became president last month.

He is an independent-minded figure who tried to dissuade Mr Kwasniewski from running for the presidency because he feared it would stir up latent anti-communist feelings. Four months ago he wrote a controversial joint article suggesting former communists and their Solidarity opponents should work towards healing the historic divisions between Poland's main political forces.

The appointment of a supporter of such a Polish-style "historic compromise" would help to broaden the appeal of a revamped coalition government still dominated by politicians with a communist past.

President Kwasniewski is expected to consult today with leaders of the centrist Freedom Union and the left-wing Union of Labour (UP). These are the two main opposition groups in parliament which stem from the former anti-communist Solidarity alliance.

Political shock has little impact on growing economy

Warsaw markets nonchalant

By Anthony Robinson and Christopher Bobinski

Unlike so many crises in the past, the six-week political drama sparked off by allegations about the links between Mr Jozef Oleksy, Poland's prime minister, and a KGB agent, has had no noticeable impact upon the economy.

The Warsaw stock exchange shrugged off the crisis entirely, with the index rising a further 3.5 per cent in heavy trading on the day of Mr Oleksy's resignation and rising a further 4.5 per cent yesterday.

The grounds for such nonchalance are easy to see. The largest economy in central Europe – Poland's population is four times that of the Czech Republic or Hungary – is in incomparably better shape than anybody could have imagined in January 1990 when the first Solidarity government launched its pioneering "shock therapy" stabilisation and reform plan.

Last year it grew by 6.5 per cent against the background of an appreciating currency, declining inflation and lower interest rates. This was made possible by strong export performance, especially over the first half, and a $9bn capital inflow which led to a real appreciation of the currency and cheaper imports which helped to dampen inflation.

The 1996 budget, which passed smoothly through the Sejm, the lower house of parliament, and will shortly be ready for the president's signature, assumes at least 5.5 per cent growth for this year. The budget also anticipates a further decline in inflation from last year's 22.6 per cent to around 17 per cent and a budget deficit which, at 2.8 per cent of GDP, is comfortably within the EU's 3 per cent Maastricht convergence criterion.

The combination of sustained rapid growth and macro-economic stability, coupled with continuing privatisation and high productivity growth within the now 65 per cent private or privatised economy, reflects a broad spectrum of agreement on economic policy between the government and the opposition.

The dominant reforming wing of the Democratic Left Alliance (SLD), which has ruled Poland in coalition with the Peasant Party (PSL) since September 1993, has broadly continued the market-orientated policies initiated by the Freedom Union (UW), the former Solidarity party, in 1990.

The SLD and the UW are both largely urban parties, while the PSL exists to defend the interests of Poland's large rural population, using its influence as the swing party of Polish politics to gain economic and other concessions for farmers. It is suspicious of privatisation and foreign investment and unenthusiastic about Poland's ambition to enter the EU.

As economic growth stimulates the development of Poland's middle class, Poland may see a political realignment along more conventional class and interest lines.

Poland's finance minister, Mr Grzegorz Kolodko, warns that if the political crisis over alleged KGB links with senior SLD politicians deepens and makes early general elections unavoidable, the government's privatisation timetable could be delayed. But he is optimistic. "Look outside, nobody is protesting in the streets. The situation is calm. This is largely because our economic policies are working. People are enjoying higher incomes, lower inflation and more jobs."

He rejects UW criticism of the SLD-led government for backtracking on privatisation and opting instead for reorganisation of the state-owned sector, as in its controversial plan to consolidate several smaller banks into two big state-owned banking groups led by Bank Handlowy and the Pekao SA bank, instead of privatising them.

"This government introduced the mass privatisation programme and has privatised more than any other Polish government," says Mr Kolodko. "Last year alone privatisation brought over $1bn into the treasury.

"Banks already represent over 30 per cent of the total capitalisation of the stock exchange. We privatised two banks last year alone. There simply isn't the appetite for more banks. The consolidated banks will be privatised but their privatisation is also linked to reform of the social security system and pension reform."

The plan is to capitalise the proposed new contributory pension funds with the shares of the consolidated banks and other profitable state-owned companies such as the Miedz copper complex and Polish telecom also scheduled for partial privatisation this year.

Calls for French savings rate cut

By Andrew Jack in Paris

The French government came under growing pressure yesterday to reduce the rate offered on one of its key savings products as part of efforts to raise the level of consumption and kick-start the economy.

Representatives of the country's leading banks called on Mr Jean Arthuis, the economics and finance minister, during a morning meeting to cut the rate of the "Livret A" offered through the French Post Office and the national savings bank to levels in line with other savings products.

The pressure comes as the government considers measures likely to be unveiled next week in conjunction with Germany to boost economic growth, as well as details of policies to help consumption promised at the time of its social summit late last year.

The current tax-free rate of 4.5 per cent on the Livret A has remained fixed since 1986, and has become an increasingly attractive low-risk form of non-productive savings at a time when returns on other products have been dropping.

Mr Arthuis met the heads of Société Générale, Banque Nationale de Paris, Crédit Agricole, Crédit Lyonnais and the Caisse d'Epargnes, some of whom have argued in the past that they would like to see the right to distribute the Livret A spread across the sector. His aim was to persuade the banks to cut their own interest rates as part of a concerted effort to boost consumer spending.

Mr René Barberye, head of the Caisse d'Epargne, the savings bank, added to the pressure to cut the rate on Livret A by 0.5 percentage points yesterday morning, rather than risking losing his duopoly rights to issue the product.

His comments follow similar calls from Mr René Monory, head of the French Senate, and Mr Etienne Pflimlin, head of Crédit Mutuel, which has the exclusive right to distribute the "Livret Bleu", a product available on identical terms.

Criticism of Giscard's call for flexible Emu

By Andrew Fisher in Frankfurt, Andrew Jack in Paris and Bruce Clark in London

French and German politicians reacted sharply yesterday against the suggestion by Mr Valery Giscard d'Estaing, former president of France, that the criteria for European economic and monetary union be interpreted flexibly to ensure it could begin on time in 1999.

Mr Klaus Kinkel, German foreign minister, said Emu should be completed on schedule and with a strict interpretation of the criteria. "If Emu fails, the risks for the German economy will be incalculable. The whole European integration process would be endangered."

Mr Hervé de Charette, France's foreign minister, stressed his continuing commitment to the Maastricht conditions. The move to a single currency was "an absolute priority" for France "in the timetable and with the conditions" set down in the Maastricht treaty.

The controversy began when Mr Giscard said on Wednesday that the Maastricht treaty criteria on public debt and budget deficits should be interpreted to allow for the effects of economic slowdown. France faced difficulties in meeting the debt target of 3 per cent of gross domestic product.

Although the treaty contains scope for interpretation if countries are judged to be moving steadily towards the criteria levels, the German government and Bundesbank have taken a rigorous line on the need for candidates to fulfil the standards for Emu.

Mr Kinkel painted a bleak picture of the consequences for Germany if the Emu project collapsed. These would include foreign exchange unrest and "probably a strong revaluation of the D-Mark", damaging exports and jobs. The single market would be called into question and the danger of economic nationalism and competitive devaluations would probably reappear. He said neither a weakening of the criteria nor a postponement of Emu was acceptable to Germany. The Bonn government was prepared to start Emu with a small group of countries, but France must be one of them.

Sceptical comment came from prominent figures in France, including Mr Marc Viénot, head of Société Générale, the bank, and Mr Pierre Dauzier, chairman of the Havas media group. Both warned the timetable for 1999 may be too tight. Mr Jean Arthuis, economics and finance minister, conceded this week that France might not be able to meet its budget deficit reduction target for 1995 as a result of unexpectedly lower tax receipts. But he stressed yesterday it would remain within "reasonable" limits.

Finnish PM to maintain 'tight financial policy'

By Christopher Brown-Humes in Helsinki

Mr Paavo Lipponen, Finland's Social Democratic prime minister, has promised his government will maintain fiscal discipline despite mounting criticism of its failure to tackle one of the Europe's highest unemployment rates.

He said it made no sense to stimulate the economy "outside the framework of a tight financial policy" because employment prospects would be damaged by higher interest rates, lower investment and slower growth.

But figures published yesterday showed the scale of the problem the government is facing: Finnish unemployment fell just 0.4 percentage points to 17 per cent in 1995, despite economic growth of 4.5 per cent.

In an interview with the Financial Times, Mr Lipponen acknowledged Finnish unemployment was "falling at a slower rate than we expected."

But he said the government's target of halving unemployment to around 9 per cent over its four-year term of office remained in place. "It is premature to judge us after only eight months in power," he added.

The five-party coalition government's commitment to fiscal discipline is embedded in a FM20bn ($4.4bn) programme of spending cuts – agreed immediately it took office last April – and a drive to make Finland one of the first members of European monetary union.

The tough stance has been rewarded by financial markets, bringing a 3.5 percentage fall in long-term bond yields over the past eight months.

But hopes of lower unemployment have been eroded by the impact of slower economic growth in Europe, a strengthening of the markka, and a rise in the labour supply.

"Stabilising the economy is a prerequisite for bringing unemployment down. If we had not made these cuts when the economy was growing, we could have had a double crisis of high unemployment and weak state finances when demand is lower. That would really break us," Mr Lipponen stated.

He promised a new package of measures to tackle joblessness next month, including structural reforms and a programme to boost construction. "The priority now is the domestic economy," he stated.

Mr Lipponen said the government would miss Mr Iiro Viinanen, the finance minister and architect of Finland's austerity drive, who announced his resignation last week to join an insurance group. But he stressed there would be "absolutely no change in fiscal discipline" under Mr Sauli Niinisto, Mr Viinanen's designated successor.

NEWS: ASIA-PACIFIC

Beijing's most senior advisers pick different men to be first chief executive of post-1997 Hong Kong

Elder statesmen promote rivals for top HK post

By Simon Holberton in Hong Kong

The race to become Hong Kong's first chief executive has taken a fresh turn with China's two most senior advisers in Hong Kong declaring themselves for different candidates.

Mr T K Ann, 84, said before leaving for today's inaugural meeting in Beijing of the Preparatory Committee, the 150-member group overseeing Hong Kong's reversion to China, that he thought Mr C Y Leung was the man for the job.

Mr Leung, 41, is a surveyor by profession who has been closely associated with Beijing's cause in the colony since the early 1980s. Mr Ann, an elder statesman, is an industrialist who has never been far from the inner councils making Hong Kong policy in Beijing.

His decision to speak out in favour of Mr Leung pits the latter against Mr C H Tung, 58, a shipping tycoon. Less than two weeks ago Mr Henry Fok, 72, another very senior China adviser, came out strongly in favour of Mr Tung.

The public statements by Mr Ann and Mr Fok, both of whom prefer to act behind the scenes, were described by diplomats as the beginning of intense lobbying for Hong Kong top political job.

"It is an enormous piece of patronage for the Politburo to dispense," observed on western diplomat. "The balancing of vested interests will be difficult, especially against the background of an uncertain *leadership* situation in Beijing."

All four men were appointed vice-chairmen of the preparatory committee late last year. The committee's two-day meeting in Beijing is expected to establish sub-committees to take charge of various aspects of the handover as well as decide a code of conduct for committee members.

This may involve a requirement that members observe collective responsibility and confidentiality. Beijing is expected to keep a tight rein on proceedings and allow little room for deviation from existing policies.

The most urgent task facing the committee, however, is the selection of 400 Hong Kong people to form an electoral college to recommend a candidate for chief executive.

The 400 are meant to be representative of Hong Kong and provide the colony's people with their first ever participation in selecting their top political leader. Britain has always appointed governors without consulting local people.

Few in Hong Kong, however, expect this group to do more than validate Beijing's chosen candidate. It is thought unlikely that the elec*toral college will be posed* with a choice of candidates.

Both Mr Tung and Mr Leung deny any ambition for the post of chief executive – which on paper vests the incumbent with considerable power – but few doubt that if either were to be asked by Beijing to take the post he would accept.

Mr Leung would be a bold choice for Beijing to make. He has had no direct experience of government – although he was a key local figure in *the drafting of Hong Kong's* post-1997 constitution – and he is very young by the standards of Chinese politics.

Mr Leung is also a locally born Cantonese. It would go against custom in Chinese politics for a senior provincial post, such as chief executive of Hong Kong, to be awarded to *someone from the same* locality. Mr Tung, who has lived in Hong Kong since the Communist takeover of China in 1949, comes from Ningbo, a port city south of Shanghai.

ADB in talks on Indian finance plans

By Mark Nicholson in New Delhi

The Asian Development Bank is discussing with three Indian financial institutions a pioneering lending programme aimed at easing the financing bottleneck for private Indian infrastructure projects while helping develop a *long-term* debt market in the country.

Dollar loans worth $600m are under discussion, to be financed jointly by the ADB and the Export-Import Bank of Japan, which has signed a pact to lend $300m for infrastructure projects to the Industrial Development Bank of India. The loans are expected to go before the ADB board for approval before June.

The recipients, ICICI (to get *$300m), IFCI ($200m)* and SCICI ($100m), which are state-run development finance institutions, would be expected to lend money on for projects involving power, telecoms, ports and roads.

Mr Alfredo Pascual, ADB chief investment officer in New Delhi, said on-lending would meet only 40-50 per cent of any private project cost. It was hoped borrowing companies would issue corporate debentures *for the rest.*

"Funding will only be given if it generates marketable debenture securities," he said. In tandem with the lending, ADB would offer technical aid to the three institutions to help them develop and make a market in these debentures.

"The lending has two aims: direct aid to bridge the funding gap for infrastructure, and help develop a sustainable form of funding; in the long *term, India has to depend on* its own local debt."

India's debt market is highly illiquid and at present offers little opportunity for longer-term financing essential to infrastructure investments. A recent World Bank study showed over 1,500 private and public bonds and debentures with a face value of over Rs200bn ($5.6bn) were listed on Indian bourses last year, but "the secondary market is virtually *non-existent*".

Mr Pascual said the market would be aided by the advent, later this year, of automated settlement systems to replace costly paper-based transaction and settlement. India has issued guidelines for formation of primary dealers in govern*ment debt, which is hoped to* stimulate the debt market. The ADB has taken an equity stake in SBI-Gilts, one prospective primary dealer.

The ADB, which hopes to raise its lending to India from $700m to $1bn in the next few years, has agreed a $250m loan to develop India's capital market. The ADB will impose eligibility criteria on projects to be financed by the loans, mainly in the power sector, where the bank would back financing in Indian states reforming their state electricity boards.

ASIA-PACIFIC NEWS DIGEST

Thai deficit forecast raised

Thailand's central bank is likely to raise its current account deficit estimate for 1995 above the previously forecast 7.1 per cent of gross domestic product, already a four-year high, the bank said yesterday. Higher than expected import levels in November and December, including an exceptionally high defence import bill, were the reason for the revision.

The import bill for November was revised upward to a record Bt168.2bn (£4.4bn) from an original estimate of Bt152bn. November's current account deficit was Bt33.8bn, a five-month high. *December imports* were Bt161bn.

Other figures released by the bank show its tight monetary policy is continuing to have the desired effect of slowing the economy. Private investment, up 14.2 per cent in December from a year earlier, slowed its growth for the sixth straight month. Manufacturing production rose 9.4 per cent, growing only slightly. Growth in commercial bank credit continued to fall, increasing 24 per cent in December (20.2 per cent excluding loans by offshore banks).

Foreign currency reserves continued to climb, hitting a record $37bn (£24.6bn). *Ted Bardacke, Bangkok*

Hong Kong retail sales down 5%

The malaise in the shopping malls of Hong Kong showed little sign of abating in November, with retail sales 5 per cent lower in volume terms compared with the previous month and 1 per cent below a year earlier, figures released yesterday showed. Hong Kong does not seasonally adjust its retail sales figures, so the large drop in November sales (compared with October) may exaggerate the true direction of consumer demand. The government said sales of motor vehicles continued to decline significantly compared with a year ago, and were 41 per cent lower in volume terms.

Sales in department stores improved for the first time in nine months, rising 1 per cent in volume terms over the year to the end of November. Economists expect a recovery in consumer spending this year on the back of easier monetary conditions and a brightening outlook for the Chinese economy. *Simon Holberton, Hong Kong*

New Zealand GDP surprise

New Zealand's gross domestic product rose by an unexpectedly high 0.8 per cent in the September quarter of 1995, but analysts said yesterday the outcome was largely an aberration. Most economists were forecasting a rise in real, seasonally adjusted production-based GDP of about 0.4-0.5 per cent over the quarter.

Mr Stephen Hickson, GDP specialist at Statistics New Zealand, said the September quarter did appear high but the rise was *exaggerated* by a downward revision in the June quarter to 0.1 per cent from a previously published 0.3 per cent. "Annual growth is still very much in line with what has been expected," he said.

The seasonally adjusted change from the same year-ago quarter was 3.2 per cent against 3.8 per cent in the June quarter and 5.7 per cent in the September quarter of 1994. *Reuter, Wellington*

'Hell has gotten just a bit cooler'

Bangkok's traffic problems have eased but still beat its overlord, **Ted Bardacke** writes

Six months ago, Mr Thaksin Shinawatra, Thailand's deputy prime minister, made a ridiculous pledge. On being appointed traffic overlord for Bangkok, he promised to solve the city's legendary traffic problem by today.

As at yesterday, it took 20 minutes to go 3km through the city's central business district at midday; it was hardly tolerable, but was an improvement: the same trip used to take half *an hour.*

"Hell has gotten just a bit cooler," says a grizzled Bangkok taxi driver. A recent poll by the Suan Dusit polling organisation showed 49 per cent of the city's 9m inhabitants agree.

Only 9 per cent of those surveyed thought traffic had got worse; this is remarkable, given that 120,000 new cars, or about 240km of additional road demand, began circulating in Bangkok ahead of Mr Thaksin's six-month deadline.

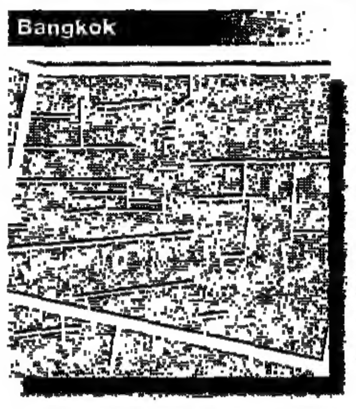
For a politician who has so obviously lost out on being able to keep a promise, Mr Thaksin gets remarkably high approval ratings: some 65 per cent of respondents said they were pleased with his performance.

Bangkok traffic is still hell and still quite hot. Thousands of the city's residents must be on the road before dawn to *reach work or school on time.* Mass transit barely exists; where it does it is inefficient and overcrowded.

Habitual gridlock means that often the only way to get around the city is to risk one's life and damage one's lungs by riding on the back of a motorcycle taxi.

Bangkok jam: running less slowly

Bangkok



Roads make up about 8 per cent of Bangkok's total *land* area, compared to 20-25 per cent in European cities. For instance, areas of similar size in central Bangkok (left) and central London (right) illustrate the difference. In addition to less overall road space, the *large majority of* secondary roads in Bangkok are dead-end, leaving main roads to carry an inordinate share *of the traffic burden.*

London

These problems can only be solved by long-term measures such as mass transit, road pricing and development control and planning, "still 25 years away," said Mr Graham Bodell, *director of the traffic consultancy* Sindhu Pike Bodell.

Mr Thaksin has shown that better management can have an effect. Much of his time has been spent co-ordinating the work of the four ministries and 10 agencies with responsibilities for transport.

One important improvement has been in traffic lights. Peek Traffic Systems of the UK has partially installed a £27.5m automatic traffic light system, which eventually will take over all the city's 569 traffic *lights from manual operation* by police sitting in booths at each intersection.

Even here, Mr Thaksin has had to put pressure on the Telephone Organisation of Thailand and the Metropolitan Electricity Authority to provide enough high-quality telephone lines for data transfer and continual electricity to power the system.

Already the Peek system has reduced waiting time at many lights from a frustrating 10 minutes or more to just two or *three, thus better spreading* traffic out along Bangkok's limited road space.

"If you've only got 8 per cent road space (compared to 25 per cent in most other cities) it is vitally important to use it efficiently," Mr Anthony Gould, Peek's managing director for Asia, said.

By April the system will be fully operational, at which point 1,800 road sensors backed by video cameras will measure traffic flow and alter the tim*ing of lights in the system. The* idea is to reduce the instances of gridlock, prevent a single problem such as an accident from causing delays in the rest of the city, and to get police out of their booths and into enforcing traffic regulations.

> Mr Thaksin has shown that better management can have an effect

Extra benefits are the ability to introduce "green waves" for motorcades (one for taking a member of the Royal Family to the airport has already been programmed into the system) and changing the timing of the lights depending on whether school is in session, a big factor affecting traffic flow.

The new system should give Mr Thaksin some breathing room to turn his attention to pushing through his next set of priorities: an expansion of the expressway system and implementing the city's three mass transit systems, two of which are already being built although neither are as yet financed. Tenders for a third are due to be issued on Monday.

These projects, Mr Gould said, are ultimately more important than automatic traffic lights. "If roads are totally overcrowded, no system in the world is going to fix that."

Japan may tighten derivatives reporting

By Gerard Baker in Tokyo

Japan's finance ministry is considering tougher rules to force securities companies to improve reporting of their derivatives exposure.

Derivatives are financial instruments such as futures and options, whose worth is based on the value of an underlying asset.

Officials have been meeting representatives of the country's stockbrokers in the past few weeks with a view to strengthening the patchy nature of disclosure on derivatives trading. The new requirements are expected to force brokers to report market prices of all securities, including derivatives, traded with their customers, in their published financial statements.

At present, derivative positions not yet settled are not generally reported in brokers' accounts. Officials believe this poses an unacceptably high degree of risk for counterparties to Japanese financial institutions.

The rapid growth of derivatives trading in the past few years, and the high gearing associated with it, have increased doubts about the reliability of financial reporting in Japan.

Fears have arisen that some companies may have covered up big losses on pending transactions not yet settled. Weak disclosure rules discourage institutions from declaring loss-making positions speedily.

Concern about the quality of Japanese financial reporting has also been heightened by a serious of banking disasters in the past year, including the collapse of several smaller institutions and disclosures of huge losses at Daiwa Bank's New York branch.

Some brokers have already volunteered to publish details of outstanding derivatives positions as appendices to their main accounts. But the ministry aims to require all companies to mark their positions to market in the profit and loss statement of their reports.

US accuses Canada of 'unfair' cultural barriers

Books and magazines are at the heart of a trade dispute between the North American neighbours, writes **Bernard Simon**

Canadians have much in common with their American neighbours; they speak the same language, enjoy the same sports, watch many of the same films and television programmes and read the same best-sellers.

But Canadians have a strong sense of what makes them different, as demonstrated by a spate of trade disputes that have flared across the 49th parallel. The disputes, over magazine publishing, cable TV and bookselling stem from a difference of philosophy, according to a Canadian government official. "The Americans regard these things as entertainment and service industries. We view them as integral elements of our culture."

The disputes centre upon barriers erected by Ottawa over the years to shield "cultural industries" from the publishing, broadcasting and movie giants across the border.

The Americans retort that the latest raft of disputes has little to do with nurturing indigenous culture. Mr James Blanchard, the US ambassador in Ottawa, says Canada's efforts to protect its culture have degenerated into a "commercial grab".

At the top of the Americans' list is an 80 per cent tax imposed by Ottawa last month on advertising revenues collected by Canadian editions of foreign magazines.

The tax was introduced in response to lobbying by Canadian publishers against Sports Illustrated, which is published by Time-Warner, the US media group. Sports Illustrated had sought to circumvent discrimination against foreign magazines by introducing a "split-run" edition, printed in Canada but with limited Canadian content.

Four in every five magazines sold in Canada are foreign publications. Domestic publishers worry that low-cost, split-run editions would drain the advertising pool still further and leave little for Canadian magazines, such as Maclean's, a local version of Time and Newsweek.

However, Mr Mickey Kantor, US trade representative, expressed "profound disappointment" that Canada had "chosen to evict a US business enterprise that was established in Canada consistent with Canadian law and with the full knowledge of the Canadian government."

On another front, the Americans have complained that the owners of New Country Network, a Canadian country music cable TV channel, are dragging their feet on a deal under which Westinghouse, the US conglomerate, would gain a 33 per cent stake in NCN.

The deal was hammered out in mid-1995 after the Canadian Radio-television and Telecommunications Commission allowed NCN to take over a broadcast licence held for a decade by Westinghouse's Country Music Television.

Another cultural dispute is brewing over plans by Borders, a big US bookstore chain, to expand into Canada. Ottawa secured an exemption for cultural industries, including the book trade, from the North American free trade agreement (Nafta).

Foreign acquisitions in these sectors remain subject to government scrutiny. Local booksellers are pressing Ottawa to impose a domestic ownership threshold of at least 65 per cent on Borders' Canadian operation.

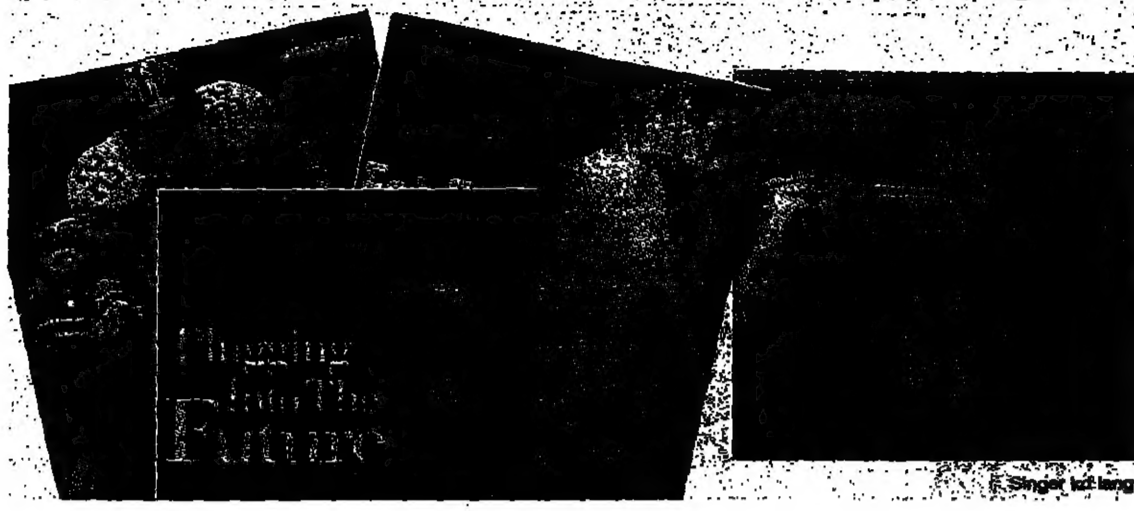
Mr Richard King, a past president of the Canadian Booksellers Association, predicted that Borders' entry into Canada would destroy the Canadian book distribution system. Furthermore, he said, "if you control distribution, you control content."

A US official scoffed at such fears, comparing Borders to Wal-Mart, the powerful US retailer that spared no effort to give itself a Canadian image and to publicise the business it gave local suppliers since opening 122 stores in Canada two years ago.

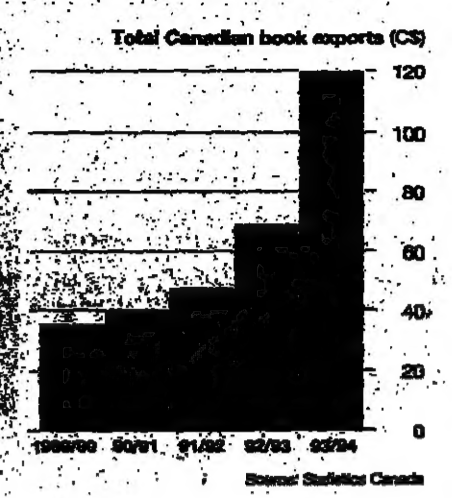
Some US entertainment companies have responded to Canadian cultural sensitivities. WUTV, a Buffalo, New York, affiliate of Mr Rupert Murdoch's Fox television network, helped Canadian authorities test a device, known as the "V-chip", that would enable TV watchers to black out violent and other offensive programmes. A high proportion of the station's viewers live across the border in southern Ontario.

The string of disputes come at a time when a bumper crop of Canadian writers, singers, film-makers and other artists are enjoying acclaim beyond their own borders. They range from Carol Shields, the Pulitzer Prize-winning novelist, to two popular country music singers, kd lang and Michele Wright. These artists' success far from home might suggest that taxes, subsidies and local ownership rules are not necessary to spawn real talent. To many Canadians however, their talent might never have been discovered or nurtured without the government's protective wing.

Culture clash: magazines, country music and books figure large in disputes with US



Singer kd lang



Standard for tiny memory card is agreed

By Michiyo Nakamoto in Tokyo

A group of 13 US, Japanese and European electronics companies has agreed a standard for the world's smallest memory card which can store as much data as 45 floppy discs on a card the size of a postage stamp.

The 13 companies, which include Compaq Computer, Hewlett-Packard, Microsoft, Intel and Advanced Micro Devices from the US, Fujitsu, Sharp and Konica from Japan and Philips and Nokia Mobile Phones from Europe, plan to open their specification to the public next month and promote it as the industry standard.

The new, smaller memory card, called the Miniature Card, is a solid state card used to store and exchange data such as images, text and voice. It will mainly comprise flash memory chips and can hold up to 64-megabytes of memory. The card contains significantly more data than floppy discs and is also at least 100 times faster than floppies, according to Fujitsu.

Other electronics companies have been working on the development of different versions of a small memory card.

However, the participation of the world's largest producers of flash memory chips, increases the chances of the Miniature Card specification becoming the industry standard, according to the group.

With a width of 38mm, length of 33mm and height of 3.5mm, the Miniature Card is a quarter the size of integrated circuit (IC) memory cards in use in laptop computers, for example.

The small size of the Miniature Card will enable it to be used in small portable devices such as mobile phones, personal digital organiser and digital cameras.

In addition, the Miniature Card will be compatible with existing personal computer cards with the use of an adapter.

As a result, the exchange of data between portable equipment, such as digital organisers or digital cameras, and PCs will be significantly enhanced, the group points out.

For example, a photograph taken on a digital camera can be stored on the Miniature Card and then called up on the PC screen. Likewise, a musical recording made on a digital audio recorder can be transferred for use on a computer.

The companies promoting the Miniature Card plan to start introducing products by the spring or early summer. The first cards will initially contain 4-megabytes of memory, going up to 64-megabytes as market demand grows.

WORLD TRADE NEWS DIGEST

Rifkind presses for S Africa trade accord

Mr Malcolm Rifkind, the UK foreign secretary, has written to his European Union counterparts urging them to give a clear go-ahead for an EU-South African free trade agreement when they meet on Monday.

The idea of such an accord was agreed in principle last summer but British officials feel that France has been dragging its feet over the issue by linking the South African agreement to wider external trade issues.

UK officials said they hoped that a firm political decision on Monday would be followed not less than a month later by a formal instruction to the European Commission to start working out the details of an accord.

Both France and Spain have resisted proposals by the European Commission to broaden the scope of tariff preferences on agricultural imports from South Africa. *Bruce Clark, London*

Anam plans overseas chip plan

Anam Industrial of South Korea is considering building a semiconductor assembly plant in either Israel or Ireland as part of its plans to double overseas production. The company is reviewing sites for a $200m-$250m investment.

Anam is the world's largest semiconductor assembler and recently said it was considering setting up an additional overseas plant to double overseas production to 200m semiconductors a month.

Both countries have recently attracted interest from foreign investors. Last week, Daewoo of South Korea said it was planning to build a $1.2bn semiconductor plant in Europe and said Ireland was a potential site.

Motorola, the US electronics company, and Delco, an affiliate of General Motors, have indicated interest in building a $1bn semiconductor plant in Israel and Intel, the world's largest semiconductor manufacturer, late last year committed $1.6bn to a semiconductor plant in Israel's Negev desert. Motorola has already set up a research laboratory in Israel. *Foreign Staff*

■ CST Entertainment of the US has filed a lawsuit against Silicon Graphics, Eastman Kodak and LucasFilm alleging infringement of a CST patent for video special effects.

The suit, filed in the US District Court for the Northern District of California, claims each of the defendants has been making, using and/or selling devices that use the CST technology and inducing others to infringe its technology.

CST is seeking an injunction to halt further infringement, damages and the payment of legal fees. *Reuter, Los Angeles*

■ Ericsson Telefon of Sweden has won an expansion order worth $60m to extend the network of Turkcell, the leading Turkish GSM mobile phone operator. Delivery of new switches and radio base equipment will be made during spring 1996. *John Barham, Ankara*

■ Fichtel & Sachs, the car components maker owned by Mannesmann of Germany, has formed a joint venture with South Korea's Daewoo Precision Industries to make torque converters for automatic transmissions. Fichtel & Sachs will manufacture around 400,000 torque converters a year for Daewoo. *Reuter, Bonn*

■ The Petroleum Authority of Thailand has awarded a contract to build and manage a gas pipeline project to a Malaysian group led by Petronas and Nova Gas of Canada. OGP Technical Services and Nova Gas were awarded the contract to build the onshore Yadana natural gas pipeline. *Reuter, Kuala Lumpur*

Brussels acts after Hanoi's National Assembly fails to pass its side of tariffs deal

EU suspends Vietnam's textiles quota

By Jeremy Grant in Hanoi

The European Union has suspended a textile quota agreement which would have allowed Vietnam substantially increased exports because Hanoi failed to grant the EU reciprocal access to its market by a mutually agreed deadline, EU officials said yesterday.

The issue has soured relations only six months after the EU signed its first bilateral co-operation agreement with Vietnam, which established diplomatic ties and initiated wide-ranging EU economic assistance to Vietnam.

Under a deal agreed in principle in July last year, the EU was to have raised quotas on exports of Vietnamese textiles, effectively increasing the export value to Ecu400m ($508m) this year from Ecu300m in 1995. In exchange, the Vietnamese had to agree to reduce textile import tariffs, as high as 100 per cent in some categories, on a sliding scale over 10 years starting from January 1 this year. The deal was significant because textiles account for 70 per cent of Vietnam's exports to the EU. Vietnam has said it hopes for $1bn in textile export revenue by the year 2000, mostly from the EU.

However, although the European Council passed the agreement before the December 8 deadline, the Vietnamese failed to push the terms of their side of the bargain through the country's National Assembly by the same date, technically rendering the agreement null and void. The new quotas were to have applied retroactively from January 1, 1995.

Vietnamese officials say they were unable to meet the deadline because the ministry of trade and ministry of industry needed more time to prepare documentation. "In December, they could not fully prepare it. I think it is a question of the difficulty of co-ordination, but our policy is clearly that we must reduce import tariffs," said Mr Nguyen Dinh Hoan, deputy director, department of foreign economic relations.

But diplomats point out the same National Assembly session managed to approve a raft of complex tariff reductions in line with Asean Free Trade Area (AFTA) requirements. Vietnam joined Asean in July.

EU officials are not convinced that the time factor was responsible. "I doubt it was a question of time. What was required was not a major, major effort, quite frankly," said Mr Riccardo Ravenna, EU head of delegation to Vietnam. "We fulfilled our commitments. Now, they have to make up their minds." He said the EU was prepared to discuss the issue, but no date had been set for talks.

Vietnam's failure to act before the deadline means that all export quota applications will be dealt with under an existing quota agreement dating from 1992. Scores of Vietnamese garment manufacturers are understood to have made applications for quotas which one EU official said had resulted in "massive overbooking", anticipating finalisation of the new quota agreement.

Euro consortium favoured to win Chinese contract

By Tony Walker in Beijing

China is poised to approve a project to build a 100-seater passenger aircraft, with a European consortium favoured to win the contract, according to Mr Anthony Nelson, the UK trade minister.

Mr Nelson said yesterday after discussions with Mr Zhang Yanzhong, vice minister of Aviation Industries Corporation of China: "Although there is stiff competition from Boeing and McDonnell Douglas I am most encouraged about our prospects."

Avic is the Chinese partner in the 100-seater project and will have a 35-40 per cent stake, Korean Aircraft Development Corporation will hold a similar percentage, a western partner will be accorded 20 per cent, with the balance going to an Asian participant, possibly Japanese.

The European consortium includes British Aerospace, Aérospatiale of France, and Alenia, a unit of Finmeccanica of Italy. Daimler Benz Aerospace (Dasa), a participant in the European Airbus consortium, is also interested in participating in the 100-seater project but has not formally joined the European consortium.

Western aircraft manufacturers have staged one of the most keenly contested bidding duels in recent memory for the project, reflecting the high stakes involved. China's demand for smaller aircraft to service its feeder routes is expected to explode with the planned extension of the country's domestic airline network.

In the battle for the sale of large aircraft carrying up to 400 passengers each, Boeing is well ahead of the Airbus consortium. Boeing has made its first such sale in China and of the country's approximately 400 commercial airliners, about 200 are Boeings.

European manufacturers have much higher hopes in the race with the US to be China's partner in the new 100-seater regional jet project. They believe the Chinese will turn to smaller aircraft to begin providing transport between smaller cities and towns.

Mr Ian Watson, BAe's chief representative in Beijing, recently said: "The focus has been on wide-bodied aircraft for domestic and international routes, but a decision on purchases of smaller, feeder aircraft may be just around the corner."

Mr Nelson, who left China for Britain yesterday, is the latest in a trickle of senior British officials visiting Beijing. He said after meeting Madam Wu Yi, China's trade minister, that Sino-UK commercial relations were set to enter a "new era".

Iveco to invest $150m in Chinese truck factory

By Tony Walker

Iveco, the Fiat subsidiary, will today sign an agreement with the Nanjing automobile works under which it will invest $150m in a new plant to build light trucks in China.

Mr Giancarlo Boschetti, president and chief executive officer of Iveco, said the investment would represent the company's biggest commitment to China and was part of plans to globalise Iveco's activities.

The venture, Naveco, plans to produce 60,000 3.5 tonne to 5 tonne trucks a year after three years. The partners will each hold 50 per cent in the project.

Iveco's agreement with Nanjing auto may also open the way for Fiat itself to become involved in China's vehicle industry. The Italian company does not have a manufacturing presence in China for its cars, but along with other major international motor companies it is striving for entry.

China has frozen until 1997 new licences for joint ventures in the assembly and manufacture of cars. The aim of the freeze is to allow the components sector to grow, and thus be in a position to support fairly strict localisation provisions of the new automotive manufacturing policy.

Beijing has said it wants three or four large manufacturing ventures to dominate vehicle production, bringing economies of scale and raising efficiency.

Mercedes-Benz and Volvo both have a presence in China's truck manufacturing sector and Scania of Sweden last week said it was considering a truck manufacturing joint venture in China.

Mercedes-Benz is investing over $1bn in a joint venture in China to build a version of the Viano, a 1,000kg-capacity vehicle, called a Combi in Europe.

Court challenge to telecom award

By Amal Jayasingh in Colombo

The deregulation of telecommunications in Sri Lanka has suffered a serious setback, after an unsuccessful bidder won a court order blocking two international consortia setting up private networks.

The Maharaja Organisation, local partner of Japan's Nippon Telegraph and Telecommunications (NTT), obtained an injunction from the Colombo district court suspending the issue of licences to its rivals.

The secretary to the Telecommunications Ministry, Mr K C Logeswaran, said the Maharaja-NTT bid was rejected because they failed to satisfy financial conditions stipulated by the government.

"The case is a setback to the deregulation process," Mr Logeswaran said. "This is going to affect the country very badly because we won't be able to meet the huge demand for phones. I only hope the case will be concluded fairly soon."

The court action was expected to slow down the establishment of two private telephone networks expected to provide 40,000 lines this year.

The government last week selected two consortia led by Telia of Sweden and Bell Canada.

The Telia consortia includes two local companies -Metropolitan Group and the National Development Bank. The Bell Canada consortia groups Singapore's Transasia Telecom and Sri Lanka's Brown and Company.

The two successful bidders were issued with letters of intent giving them three weeks to pay a licence fee of SLRs300m ($5.6m.)

The two consortia were to establish up to 100,000 lines each to compete with the state-run Sri Lanka Telecom (SLT), which is scheduled for privatisation by the middle of the year.

Mr Logeswaran said the government stipulated that the local partner of the two private phone networks should have had a minimum annual turnover of SLRs100m for the past three consecutive years. This stipulation affected NTT's local collaborator, a fully owned subsidiary of the Maharaja Organisation, which had a turnover of only SLRs70m last year and considerably less in the two preceding years, he said.

The Maharaja Organisation petitioned the District Court arguing that their bid had been unfairly rejected by the telecommunications authorities.

The telecommunications ministry has until the end of the month to answer the charges and both parties will have the right of appeal, which could take months or even years to be resolved.

Chrétien seeks to strengthen hand against secessionists

Quebec wins bigger voice in cabinet

By Bernard Simon in Toronto

Mr Jean Chrétien, Canada's prime minister, has brought two well-known Quebeckers into his cabinet, hoping to give the pro-Canada camp a stronger voice against secessionists in the French-speaking province. The prime minister has faced growing criticism over his national unity strategy since the separatists came close to winning an independence referendum last October.

The appointments were part of Mr Chrétien's first cabinet reshuffle since his Liberal government took office in late-1993. One of the most significant changes was Mr Douglas Young's move from transport to human resources. He has spearheaded a wave of privatisation and restructuring in the transport sector, and will now be in charge of reforming social security programmes. Mr Lloyd Axworthy, former human resources minister, has gone to foreign affairs.

Jean Chrétien: Under criticism

Mr Arthur Eggleton, a former mayor of Toronto, receives the international trade portfolio, while Mr Paul Martin, the finance minister, was one of few cabinet minister unaffected by the reshuffle.

The changes, announced yesterday, also included the departure of several senior ministers, notably Mr André Ouellet at foreign affairs and Mr Roy MacLaren at international trade. The latter, who had indicated he would not stand in the next election, will become high commissioner in London.

The two newcomers from Quebec are Mr Pierre Pettigrew, a Montreal trade consultant, and Mr Stephane Dion, a political scientist at the Université de Montreal. Mr Pettigrew takes over various junior foreign affairs responsibilities; Mr Dion has been named to take the inter-governmental affairs portfolio.

The federalist camp, which lacks powerful, credible voices within Quebec, has been in disarray since the referendum. Mr Chrétien has won little credit for two measures which, in effect, meet Quebec's demands for recognition as a "distinct society" and a veto over changes in the constitution.

Meanwhile, the separatists have consolidated their recent advances. Mr Lucien Bouchard, by far the most popular politician in Quebec, is due to take over next week as the province's premier. He pledged top priority to fiscal and economic problems, but is expected to aim for another referendum in 1997.

The reshuffle, which left only a few portfolios untouched, was more extensive than expected. Besides adding strength to his Quebec contingent, Mr Chrétien expanded representation from the increasingly influential western province of British Columbia.

Mr Chrétien is expected to flesh out his Quebec strategy within the next few weeks, using work by a committee of senior cabinet ministers.

A star witness for Mr Starr

Patti Waldmeir finds Mrs Clinton heading for a grand jury today

Whitewater: most Americans react to this complex tale with incomprehension or boredom. But Mrs Hillary Clinton is to step before a federal grand jury investigating the affair today, the first time any wife of a US president has had to face such embarrassment. That grabs national attention.

Allegations about distant land deals and commodity trades have tended to baffle voters. But the words "subpoena" and "grand jury" cut through the confusion. To the layman, they sound grim.

Mrs Clinton has sought to dispel that impression since it was announced that she had been subpoenaed by Mr Kenneth Starr, the independent counsel investigating the Whitewater real estate deal. She appeared, brilliantly smiling, when President Bill Clinton delivered his State of the Union address this week – applauded by their daughter Chelsea – and she graciously accepted her husband's tribute to her. She did not look worried.

Only time will tell whether Mrs Clinton has anything to worry about in law. But, in politics, the negative publicity she has attracted is already damaging Mr Clinton's campaign for re-election in November.

For, despite its forbidding title, a grand jury is not a court, but a 23-member body charged with investigation. Its job is to find out whether there has been wrongdoing, and if so, by whom. Once that job is done, it might indict suspects and their case would go to court. Or it might not.

So far, Mrs Clinton is only a witness in the investigation. She has not been informed that she is a target – that she is linked to any crime by substantial evidence and likely to be indicted for it. If she were, she probably would have received a letter advising her of her legal rights. The

Hillary Clinton: Under subpoena

White House says the First Lady has received no such letter.

However, she has been subpoenaed – with five other lawyers and White House employees, including the head usher – to give evidence regarding the mysterious discovery of her legal billing records related to Whitewater, and regarding the contents of those records.

The grand jury is investigating whether there was any obstruction of justice in the handling of these records – under subpoena for two years but only rediscovered this month – as well as what they show about legal work done by Mrs Clinton for Madison Guaranty, the failed savings and loan institution owned by the partner of herself and her husband in the Whitewater land venture.

Investigators want to know why the subpoenaed records suddenly appeared on the third floor of the White House family quarters, in the Book Room, an area of restricted access open only to the Clintons, their houseguests, maids, butlers and staff.

They also want to know about legal work done by Mrs Clinton for Madison Guaranty. She has said she did 60 billable hours of work over 15 months, and says that is "negligible". The fact that the records bear the handwriting of Mr Vincent Foster, her close friend and deputy White House legal counsel, who committed suicide in 1993, adds to the intrigue.

She will answer their questions, without her lawyer, in a solitary chair facing the grand jury, and she will do so in secret. It would be a daunting process, even for a person less confident than the First Lady.

Mrs Clinton has given evidence on many of these issues before, though previously interviewed by Mr Starr in the privacy of the White House, and she must step carefully to avoid damaging self-contradiction.

She has recently appeared to be less than generous with the truth, when defending her role in the sacking of the White House travel office in 1993, and in explaining her professional relationship with Madison Guaranty. She cannot afford, politically or legally, to let that impression persist.

Venezuela hails oil bids success

By Raymond Colitt in Caracas

The Venezuelan government this week hailed the opening of its oil industry to private capital as a sign of renewed investor confidence in the country.

Executives of oil companies from around the world gathered in Caracas to bid for exploration rights to 10 areas, totalling 4.5m acres.

Interest by investors was strong and government officials said they were "pleasantly surprised" by the positive response to the tender. Mr Erwin Arrieta, energy minister, said the bidding round had boosted the image of Venezuela, which had "negotiated firmly, without compromising its sovereignty."

The bidding is to finish on Monday, but the highest bid – the most attractive blocks were offered first – has come from a consortium led by British Petroleum.

It offered the maximum 50 per cent state participation in pre-tax profits, plus a cash bonus of $108m, payable at once, for the Guaraphiche oil field, in the far north-east of the country. The concession has estimated reserves of 1bn barrels of light to medium crude oil and could produce up to 200,000 barrels per day.

Mr Anthony Hayward, president of BP Venezuela, said: "It was very good strategically for BP, and we are very pleased to have won it."

Investors will commit a total of $11bn to develop the 10 areas over the next decade, of which approximately $1bn will be invested as risk capital during the exploration phase, over three to five years.

In the short term, the oil round could "moderately improve the country's current account balance," said an economic analyst in Caracas.

He expected the latest bidding round would bring in $500m-$700m this year alone. But it will be three to five years before the new oil fields enter production and investors commit large sums of money, thus stimulating the service industry and creating jobs.

"The opening of the oil industry will only bring long-term benefits if it goes beyond mere concessions to pump oil, to include fresh private investment in the downstream industry," says Mr José Antonio Gil, head of the consultancy Veneconsultores.

Other observers said growth in the oil sector would not be enough to jump-start the national economy. "The non-petroleum sector, which accounts for the vast majority of the country's work force, is in its third year of virtual stagnation," said Mr José Juan Gomes, an analyst with the economic consultancy Veneconomia.

AMERICAN NEWS DIGEST

Colombian head seeks plebiscite

President Ernesto Samper of Colombia has called for a national plebiscite on whether he should remain in office, but the proposal is meeting opposition from political, judicial and business groups.

The country's 15 main business organisations stated that the president's authority and capacity to govern had been seriously weakened by allegations that his election campaign was partly funded by drug money. Mr Samper should consider stepping down temporarily, they said, with some of the 15 groups believing he should resign altogether.

The leaders of both Mr Samper's Liberal party and the Conservatives, Colombia's other main political party, are divided over whether to support the president. Mr Samper is recalling Congress, where his main backing lies, for special sessions.

Holding of a plebiscite would have to be approved by the Senate, and any further investigations of the president's conduct would be put in the hands of a commission that absolved him in December. *Sarita Kendall, Bogotá*

Deal done over Orange County

Two former top-ranking treasury officials of Orange County in California, one of whom claims to be suffering from dementia, have agreed to co-operate with the US Securities and Exchange Commission's continuing probe of the county's 1994 bankruptcy.

The expected deal emerged on Wednesday when the SEC said it did not plan to press charges or seek further penalties against appointed and elected county officials, despite having accused them of securities fraud and misleading investors.

Mr Robert Citron, the ailing former treasurer already awaiting sentence after pleading guilty to separate fraud charges, his ex-assistant Mr Matthew Raabe, who faces trial on similar charges, and several politicians undertook in return not to breach securities law again.

The focus of the investigation will now turn to a clutch of more than 20 investment houses, financial and legal advisers employed by the county in the running of its investment pool. The pool was liquidated in December 1994, revealing losses of $1.7bn which drove the county to file for bankruptcy.

Mr Bill McLucas, the Washington-based watchdog's enforcement director, claimed that the SEC's course did not constitute a "slap on the wrist". It was, he said, "the most significant and direct procedure" against a municipal investor in the SEC's 60-year history.

"We are not done. This is the first chapter," he told a news conference. *Christopher Parkes, Los Angeles*

US homes sales decline

Sales of existing US homes fell 3.2 per cent in December, from the level of the previous month, the National Association of Realtors said yesterday, as buyers shopped for holiday gifts instead of housing.

Homes were sold at a seasonally adjusted annual rate of 3.91m units last month, down from 4.04m units in November, the group said. But the December sales rate was up 4 per cent from the 3.76m in the equivalent month of 1994.

The December sales pace was weaker than Wall Street economists' forecasts of 4.02m in December.

The median price of a home was $113,800 in December, down from a revised $114,300 in November but up from $109,100 in December of 1994, the NAR said.

The South of the US continued to lead in homes sold, at 1.43m, followed by the Mid-west at 1m, the West with 890,000, and the North-east, with 580,000 units sold. *Reuter, Washington*

Saddam casts shadow over oil market

Prices are faltering amid uncertainty over oil-for-aid talks

Saddam Hussein has once again thrown the world's oil markets off balance.

Over the past week, prices have wavered as it became clear that talks could soon take place between Baghdad and the United Nations aimed at implementing Resolution 986, which allows for $2bn worth of oil sales every six months to pay for humanitarian supplies.

No date or venue has been set for talks and many analysts and diplomats wonder whether the latest overture will prove to be any more substantial than previous unrealised initiatives by Iraq since the end of the Gulf War five years ago.

But the fear among big oil exporters is that even limited amounts of Iraqi oil reaching world markets could undermine prices. Yesterday Mr Nasser Al Rodhan, Kuwait's finance minister, warned that "any increased production (by Iraq) would definitely affect prices."

Some analysts fear an agreement could coincide with weaker oil prices predicted for the second half of the year. If that was the case, it could prove to be a "disaster," says Mr Leo Drollas of the London-based centre for global energy studies.

Diplomats and analysts remain uncertain, however, whether the latest overture is simply a short-term publicity tactic to relieve domestic pressure on Mr Saddam.

Those who interpret it as mere manoeuvring to overcome short term pressures cite two recent developments. Jordan announced that it was to halve its exports to Iraq, estimated at about $400m in 1995. That, says a western diplomat, will have a serious impact on Baghdad's business community, a group that has so far been "sheltered" from sanctions.

This week's surge in optimism that talks on Resolution 986 might soon take place has clearly boosted domestic economic confidence. Earlier this week the value of the Iraqi dinar rose strongly against the US dollar, a development that led to lower food prices in the capital's markets. It was the first time the dinar gained so much value in one week since sanctions were imposed in August 1990.

Diplomats say the government also released more food supplies in order to fuel the "feel good" factor in Baghdad.

But the recent flurry of diplomatic activity could also mark a strategic shift on the part of Mr Saddam toward acceptance of Resolution 986. He is faced with a deteriorating economy and unrest among some members of the ruling clique, including, say western diplomats, the Republican Guards, who have seen some of their privileges eroded.

"It is possible," said one western diplomat yesterday, "that Saddam wants to obtain concessions on 986, which he could then use as leverage for the lifting of sanctions."

British and American officials are adamant there can be no question of any amendments to the resolution.

Nor, they say, can there be any changes to the Security Council's requirement that a third of the proceeds go to a compensation fund for victims of Iraqi aggression. They will also stick to demands that the bulk of any oil exports flow to Turkey through Kurdish-held areas of northern Iraq. They will also require strict UN inspection of export volumes and purchase prices.

But there appears to be a number of peripheral issues which could be negotiated, some of which could substantially increase the amount of Iraqi oil which might reach world markets, even under a limited sales programme.

It is not clear, for example, whether the 60,000-70,000 b/d that is currently shipped legally to Jordan would form a part of the $2bn ceiling.

Western diplomats say flushing the Turkish pipeline of its 27m barrels of crude oil might be considered separately from the amounts authorised by Resolution 986. "That could be one concession," said a diplomat yesterday.

The pipeline has been idle since sanctions were imposed, but Iraqi and Turkish experts say it could quickly be rehabilitated.

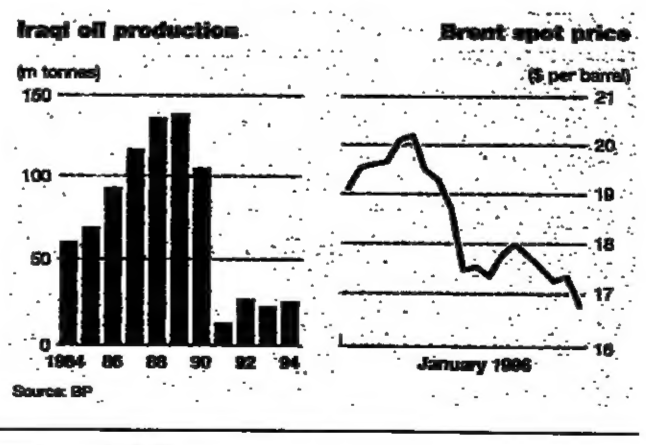
But any talks on such subjects are likely to be protracted, assuming that they even take place. The UN this week warned that negotiations "will be incredibly technical and therefore incredibly difficult."

The fact that no date or venue has been set has caused some speculation that Iraq might already be backtracking on last week's moves to discuss oil-for-aid terms.

Diplomats concede that some of the momentum for talks is coming from the UN, whose officials are worried that funding for operations in Iraq is drying up. Under Resolution 986 the UN's operations in Iraq would be underwritten by the oil sales. One sign of whether Iraq is genuine in its desire for talks will be the composition of its proposed delegation. If it is led by Mr Tariq Aziz, the deputy prime minister, "that will be a sign that he will be empowered to negotiate," said one diplomat yesterday.

Robert Corzine

Saddam: under pressure at home



Source: BP

IMF may rescue drugs-ridden Tajik economy

By Gillian Tett

International Monetary Fund officials in Tajikstan this week will decide whether to grant the troubled central Asian state a $22m loan or allow the former Soviet republic to slide further into the drugs trade.

If an IMF deal was signed soon, and rapid economic decline halted, then diplomats hope the mineral-rich republic of 5m people could be heading towards stability

However, if no agreement is reached and the economy continues to decline, there are fears – particularly among US officials – that parts of the republic could be taken over by the expanding drugs trade.

Since the collapse of the Soviet Union, the drugs business has grown rapidly, as heroin producers in Afghanistan have taken advantage of Tajikistan's instability and used it as a route towards the west. The cultivation of drugs in Tajikistan is also rising, and Tajik officials believe that the first processing laboratories have already been built.

In the last year, the Tajik government has made its first serious attempt to reform the economy. It has opened negotiations with the IMF and introduced market reforms and its own currency.

There has also been progress towards political peace. Opposition groups, which fought the ex-communist government in the 1992 civil war, before fleeing to Afghanistan, have held talks with the government. The fighting on the Afghan-Tajik border has died down.

These trends have yielded some results. A British-Tajik joint venture has started a $60m gold mining project, and other western mineral companies are looking at the republic's gold and silver resources.

But in recent weeks the picture has begun to deteriorate. Peace talks between the opposition and government late last year broke down and diplomats fear the fighting could resume.

Furthermore, an IMF agreement has been delayed amid signs that the Tajik government may be backtracking on some of its reforms.

One sticking point is the government budget. The republic has run budget deficits of between 10 and 30 per cent of gross domestic product in recent years, not least because a quarter of its income is spent on the military and security forces.

Another issue is foreign exchange control. Although the government initially let its new currency – called the Tajik rouble – float in currency auctions last summer, it halted these when the currency's value started to collapse.

The IMF insists that if the currency is allowed to float, it should eventually stabilise, as in neighbouring Kyrgyzstan, which introduced IMF reforms three years ago. Some Tajik officials are doubtful.

In public, Tajik officials remain optimistic. "I certainly think an agreement will happen," says Mr Jamshed Karimov, Tajik prime minister.

But privately, some accuse the IMF of "deceiving" them with the delay – and argue that the impoverished state of the population means that it would be political suicide to pursue a full austerity programme.

Meanwhile, political pressures are mounting. Official figures suggest that Tajikistan's GDP is now less than 50 per cent of its Soviet level. Inflation is running at about 80 per cent a month, while many wages and benefits have not been paid.

Given this, it is not surprising that the drugs trade is growing. Tajik interior ministry officials say that a kilo of opium is worth $100 on the Afghan-Tajik border, $650 in Dushanbe, and $3,000 in Moscow.

There is unlikely to be any easy military solution to stop the trade, not least because the Tajik-Afghan border is 2000km long. Tajik officials accuse the Russian troops – who are supposed to be guarding the border against smuggling – of involvement in the business.

INTERNATIONAL NEWS DIGEST

Rwanda taxes aid agencies

Rwanda, which expelled more than 40 western aid agencies last month in a serious public relations setback, has slapped new taxes on some imports by the remaining agencies, foreign aid officials said yesterday. They said equipment worth hundreds of thousands of dollars was impounded by customs because of non-payment of taxes ranging from 70 per cent for four-wheel-drive vehicles to 24 per cent for computers.

Mr Patrick Mazimhaka, Rehabilitation Minister, who is seen as the engineer of December's heavy-handed expulsions, defended the new taxes and accused agencies of making political capital. He said that temporary tax exemptions for all foreign aid agencies had been suspended with immediate effect in January, excluding imports of material going towards development projects which remained tax-free.

The government, irritated with delays in western aid after 1994's genocide of up to 1m Tutsis and allied Hutus, has also started charging tens of thousands of dollars for handsets and radios used by aid workers to communicate, diplomats said. In a country where genocide survivors have not finished burying their dead and where average pay for government officials is less than $70 a month, many people resent the lavish lifestyle of foreign aid workers. *Reuter, Kigali*

E African leaders to co-operate

The leaders of Kenya, Uganda and Tanzania met in the Ugandan capital yesterday and agreed to renew efforts to revive their moribund economic grouping, said officials. Presidents Daniel arap Moi of Kenya, Benjamin Mkapa of Tanzania and Uganda's Yoweri Museveni said after talks in Kampala they would establish a secretariat to oversee the effort in two months' time. "All of them agreed that they must proceed with speed towards full economic, social and political co-operation," Mr Museveni's aide Ms Hope Kivengere said after the meeting.

Mistrust between Mr Moi and Mr Museveni have held back progress towards the revival of East African co-operation, under which the three states once shared economic services, research work and a common currency. *Reuter, Kampala*

Iranian fury over forgery claim

Iran has said it would take legal action over a US television report that Tehran printed and distributed forged US $100 bills, local newspapers said yesterday. An Iranian Central Bank statement, quoted by the daily Jomhuri Eslami, denied the ABC News report and said it would "take legal action against the sources of these false reports at international courts". It did not elaborate.

ABC News, quoting unnamed U.S. officials, reported on Tuesday that Iran was using its official government mint to counterfeit $100 bills. The US State Department had no immediate comment on the ABC News report. *Reuter, Tehran*

Bahrain arrests more protesters

Bahrain says it has arrested another group of protesters in a widespread crackdown on anti-government activities and now holds 544 people. "The security forces have arrested an active group during their extensive measures to trace people involved in a subversive organisation," said the Interior Ministry statement late on Wednesday. It said the authorities now hold 544 people in connection with alleged sabotage and riots in several Shi'ite Moslem villages. Anti-government unrest erupted in December 1994 with mainly-Shia demands for jobs and the restoration of a parliament dissolved in 1975 by the Sunni-led government. *Reuter, Manama*

'Wage/price spiral broken' - industry chief

By Robert Taylor, Employment Editor

Britain's employers are growing increasingly confident they can boost the real wages of their workers through improved performance, without risking a return to the damaging wage inflation of the past, it emerged last night.

A number of important business figures rallied behind the views of Mr Adair Turner, the new director-general of the Confederation of British Industry, who claimed yesterday the "old price/wage inflation link" had been broken. In his first speech on the economy as CBI director-general, he said he believed the "boom and bust" years that had made Britain uncompetitive in the 1970s and 1980s were over. Competitiveness had suffered in those years through damaging strikes and through double-digit wage deals and inflation rates.

Mr Turner said the country's workforce was now "more competitive, flexible and innovative" with a "transformation" in attitudes to pay. His up-beat address to the Institute of Personnel and Development marks a significant shift in CBI thinking. He argued that pay rises above inflation need not be a problem if they came from productivity improvements and higher profitability. He had the full backing of the CBI's governing council for his remarks although the government may be less enthusiastic.

Mr Graham McKenzie, head of the Engineering Employers' Federation, endorsed Mr Turner's speech: "Engineering companies are already giving not basic pay rises, but increases reflecting improved performance", he said. Mr Martin Taylor, chief executive of Barclays Bank, gave a cautious welcome. "We can't let wages rip and nobody has a job for life", he said. "But stability at work for employees and variable pay based on performance are benefits to business."

Mr Turner urged companies to build on flexibility by delivering job security and the "mystical feel-good factor for individuals". A "significant fall" had taken place in the share of national income accounted for by wages and salaries from 66.55 per cent in 1991 to 62.5 per cent in 1994 with no growth in employees' real earnings.

The opposition Labour party yesterday strengthened its commitment to a fundamental reform of pension provision, raising the possibility that it could create a new pension scheme partly run by the government. Mr Chris Smith, shadow social security secretary, said he was considering "a funded second-tier pension scheme". Mr Smith, who has recently returned from a trip to the Far East and Australia, said there were "fundamentally important aspects" of Singapore's Central Provident Fund which "deserve consideration".

Lex, Page 12

Big shake-up for cable TV men

Turmoil in the cable television industry continued yesterday with changes of role for executives at three cable operators, Raymond Snoddy writes. Mr Alan Bates, the man responsible as chief executive for the flotation of Bell Cablemedia, accepted demotion and decided to stay on as managing director with responsibility for industry, government and regulatory issues.

Mr Alan Robinson, one of the pioneers of cable television in the UK and chairman and chief executive of Eurobell, has decided to sell the stake he holds in the company through his European Broadband Systems and leave.

Mr Wayne Gowan, chairman of the Cable Communications Association, the industry trade body, and the executive in charge of telecommunications at Comcast, has resigned. He is becoming vice-president in charge of telecommunications at TCI International, the international arm of TCI of Denver, the world's largest cable operator. Because TCI is a programmer rather than a cable operator he will have to resign as CCA chairman.

Bell Cablemedia said yesterday that Mr Dan Somers, who recently became executive chairman of what is the third-largest cable company, that he would also be taking over as chief executive. He said he wanted to get closer to the operations.

"It is no secret that all of us in the cable industry here are not satisfied by our progress to date particularly in cable television," Mr Somers said yesterday. He plans to put more emphasis on marketing to try to increase the number of subscribers.

"I am sure Alan [Bates] is disappointed as any human being would be in his change of role but it is the best way for Bell Cablemedia to become pre-eminent."

BMW offshoot's sales in Asia-Pacific region last year reached level four times higher than in 1993

Exports may boost Rover output by 10% this year

By John Griffiths in London

A steep rise in exports outside Europe has resulted in BMW's Rover subsidiary in Britain producing more than 500,000 vehicles last year. It was the first time that figure had been exceeded since 1989 and put the company on course to raise output by a further 10 per cent in 1996.

Rover sales in the Asia-Pacific region excluding Japan leaped to 40,000 vehicles last year, which was four times the the level reached in 1993. Rover sold 23,000 vehicles last year in Japan, where it has become one of the leading importers.

North America was the other main growth market, where sales of the Land Rover subsidiary rose last year by 62 per cent to 21,000 vehicles. Land Rovers are the only Rover vehicles now sold in North America.

In the UK, where the industry blames a lack of consumer confidence for a stagnant market, Rover's sales last year were stable at 248,000. But the company has nevertheless increased its workforce by 3,900 to 40,000 in recent months.

Mr John Towers, Rover chief executive, was in Singapore opening a new Rover distribution network yesterday while the company was releasing statistics showing a 4.8 per cent rise in total output last year, to 501,300 vehicles. World sales of Rover vehicles rose last year by 2 per cent to 483,100, reflecting lack of growth in some important European markets outside Britain. Total exports outside Europe, however, were 38 per cent higher at 93,000 vehicles.

The presence in Singapore of Mr Towers underlined the determination of Rover and BMW to gain a strong foothold in the "tiger" economies of the Asia-Pacific region, which are expected to be the world's fastest-growing for new vehicles over the next decade.

Mr Bernd Pischetsrieder, BMW's chairman, has made clear that it is Rover, not BMW, which will spearhead the group's sales drive into emerging markets.

Rover has added a total of 4,300 jobs since output began climbing strongly in 1993. However it is unlikely that there will be further significant job increases this year as the workforce is now large enough to sustain output of 550,000 vehicles this year.

Job additions have not been confined to the shop floor. Several hundred engineers have been recruited for new model programmes and in relation to Rover's own engine production in which the company is filling a gap once met by its former Japanese partner, Honda.

Lawyer masterminded multi-million dollar fraud

By Peggy Hollinger in London

Charles Deacon is a changed man since fraud charges were first brought against him in 1993. Standing in the dock in a London court yesterday, he looked grey and gaunt, smiling weakly at his family as he was led down to the cells.

Three years ago, the Staffordshire lawyer was rounder and plumper; confident that he would be found innocent. Since then, it has become clear that he was the mastermind of a multi-million dollar fraud – a scam which he falsely claimed had the support of the Central Intelligence Agency and the former US president, Mr George Bush.

Police estimate that $32m was paid to Deacon by individuals and companies around the world as part of the fraud, although some was eventually repaid. Deacon had his accomplices, and yesterday Keith James Fuller was also sentenced to prison. Yet a third man was also crucial: John Savage, who falsely claimed to be a secret agent for the CIA and a deputy director of the agency's European operations.

Projects Bluebook and Ultima were the code names for so-called covert CIA operations to unlock billions of dollars for the US government, and which subsequently could be used to fund loans to Deacon's victims at advantageous rates in return for advance payments.

Project Ultima's aim was to help the CIA retrieve some $680bn held in dormant accounts at seven Swiss banks. The CIA was said to be seeking to use those dollars in bolstering Russia's transition from Communism. Yet the CIA, so the story went, could not use Congressional funds for such a covert operation. Deacon and Fuller claimed to be helping CIA agent Savage raise the funds from alternative sources. So they approached individuals and businesses, promising that in return for their help they would get a share of the $680bn windfall.

Bluebook involved the release of $49.2bn in gold and cash allegedly secreted by the former ruler of the Philippines, Ferdinand Marcos. Victims were told that the Philippines would relinquish its claims over some of the Marcos billions and the gold, in return for the CIA's help in recovering it. The CIA then intended to use the gold to support the rouble. The aim was to transform the rouble into an international currency. Again, "investors" could expect substantial payments in return for their financial help.

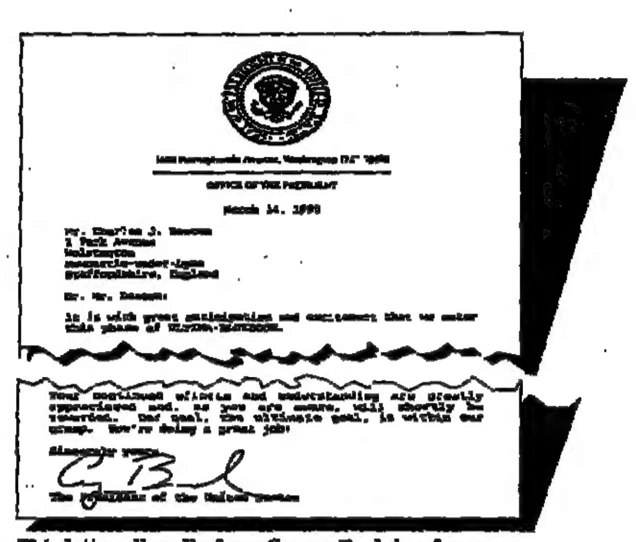
Fuller drummed up business in Europe and the Far East with such stories. When he was arrested on arrival at Heathrow in 1993, police discovered in his briefcase photographs of a $5bn note, used to convince targets of the stories' validity.

The accomplices also used letters said to be from the CIA and President George Bush. In one addressed to Deacon, President Bush supposedly verifies the existence of the Ultima and Bluebook projects. The letter quotes a speech by John F Kennedy: "The energy, the faith, the devotion which we bring to this endeavour will light our countries and all who serve them . . ." The letter, like another signed by John Savage as a CIA agent, is a forgery. There were also forged letters from National Westminster Bank claiming that a company controlled by Deacon and Savage would receive a payment of $750m to provide loan facilities.

Deacon legitimised the operation. He gave his lawyer's undertaking to keep the advance payments in a client account, pending arrival of the funds. Yet, often within hours, the payments were withdrawn.

Deacon went down yesterday claiming still to believe that the transactions were part of a CIA operation through its agent, Savage. Yet his claims were denied by the very man who might have been expected give him support.

From his deathbed in Colorado in 1994, Savage, who was dying of cancer, admitted his guilt. "Hours before he died, he vehemently denied he had ever been connected with the CIA," says Detective Inspector Bill Hulse, who led the Staffordshire police investigation, with the Serious Fraud Office.



This letter allegedly from George Bush is a forgery

Mr Charles Deacon, a lawyer, and Mr James Fuller, a business consultant, were jailed yesterday for a total of 16 years. Victims of their activities included Belling, the former cooker manufacturer, which paid £2.5m from pension fund assets in return for a $50m loan to the company which never materialised. Belling went into liquidation soon afterwards. Sentencing Mr Deacon to nine years' imprisonment and Mr James Fuller to seven, Judge Fabian Evans said: "The sums of money involved in this case have been quite staggering and have been matched only by the enormity of the lies which you both told."

UK NEWS DIGEST

US company fined heavily

GATX Terminals, a US-owned fuel storage company, was fined a total of £150,000 ($226,500) in a prosecution brought by the Health & Safety Executive after a fire at the company's Avonmouth depot near Bristol in south-west England. A worker died in the fire. It was one of the largest fines imposed under English health-and-safety legislation. The company admitted two charges at a Bristol court and was fined £75,000 on each of them and ordered to pay a total of £20,000 in costs. The company said it had been the first accident in its 23 years at Avonmouth. Changes had been made since the fire.

Roland Adburgham, Bristol

Decision today on Maxwell prosecutions

The Serious Fraud Office will announce today whether it is to go ahead with further prosecutions over the Maxwell affair. Mr Kevin Maxwell, his brother Mr Ian Maxwell and Mr Larry Trachtenberg, a former adviser to Robert Maxwell, were all acquitted last week of conspiring to defraud the Maxwell pension funds. Mr Kevin Maxwell and his brother are sons of Robert Maxwell, the publishing tycoon who died in 1991. They and Mr Trachtenberg still face outstanding charges, mainly of conspiracy to defraud, over the collapse of the Maxwell empire. Mr Kevin Maxwell faces six charges, Mr Trachtenberg three and Mr Ian Maxwell one. Three other former Maxwell directors also face charges of conspiracy to defraud.

John Mason, Law Courts Correspondent

Online libel prompts call for reform of law

Britain should rewrite its libel laws to clarify the position of consumer online services which inadvertently carry defamatory statements, the government has been told. Three of the leading consumer online information services, CompuServe, Europe Online and Microsoft, have urged the government to define the legal rules for online libel as part of an overall reform of the UK's libel laws.

Responsibility for defamatory statements carried by online services or the Internet is one of a number of "grey" legal areas which have arisen as a result of the recent rapid growth of electronic online services, the Internet and other "new media". The three companies pointed out that online service providers typically cannot control the content of e-mail and other messages that users send. The online service providers believe that they should not be held responsible for libellous statements made on-line unless the service provider has reasonable notice that a libellous statement has been sent onto its system and has "the ability and the authority to prevent its publication, but fails to do so within a reasonable time".

Paul Taylor, Industrial Staff

Siebe to recruit extra engineers as orders rise

Siebe, the international controls and appliances manufacturer, announced plans to recruit 350 additional engineers after winning orders worth £50m ($76m). The company said 100 of the engineers would be recruited in the UK, with the remainder employed in the US and Far East. Of the engineers recruited in Britain, 80 are expected to work on industrial automation systems ordered by Dow Corning, the US silicon manufacturer which is expanding its production facilities in south Wales. The recruitment drive has been stepped up following further orders from companies such as Air Liquide, BASF and Total in Europe; the Virginia Fibre Corporation in the US; and the Gas Authority of India.

Tim Burt, Financial Staff

Number of big prizes in Lottery rival to increase

National Savings, the government department that runs the monthly Premium Bonds draw, is to increase the number of prizes of up to £100,000 ($151,000) in a move that will make the bonds a more effective competitor to the National Lottery. However, in a move that will please critics of the lottery's multimillion pound prizes, the department has stopped short of increasing the number of £1m winners each month. Premium bonds have risen in popularity since the lottery was introduced in November 1994, partly because players can get recover their stake even if they lose. The new prize system could increase pressure on football pools and other forms of gambling.

Martin MacConnol Lex, Page 17

Asylum concern: Dr George Carey, archbishop of Canterbury and chief churchman in the Protestant Church of England, and Cardinal Basil Hume, archbishop of Westminster, told Mr Peter Lilley, social security secretary, they were uneasy about plans to cut state benefits to asylum-seekers. It is estimated that measures due to come into effect soon will affect up to 50,000 people a year seeking refuge in Britain.

Speeding centenary: Sunday marks the centenary of the first speeding fine in Britain, said the Automobile Association. Walter Arnold from south London was convicted for driving at 8 miles an hour (13kph) in a 2 miles an hour (3kph) zone. Today about 600,000 drivers a year are caught speeding in Britain.

Manager suspended: A security manager working on the Newbury bypass scheme was suspended after allegations that recruits to his team were encouraged to use violence against protesters who are trying to prevent trees being cleared on the site. The manager is said to have told recruits including a newspaper journalist posing as a Frenchman: "Anything in the trees you whack". Dozens of protesters are opposing the bypass 90km west of London on the A34 road from the port of Southampton to the English Midlands.

Anatomy of a sell-off: $332m spent and $7m recovered

Ministers spent nearly £220m ($332m) on a privatisation which raised just £4.7m ($7.1m), a report from the National Audit Office (NAO) says today, James Harding writes at Westminster. In his most critical account so far of a government privatisation, Sir John Bourn, the auditor-general, describes handling of the sale of the Property Services Agency as "most unusual". The report calculates that the fees to the government's advisers were more than three times the proceeds of the sale and questions the wisdom of selling rather than simply closing the agency.

The environment department, which managed the sale of the agency which used to carry out government building work, yesterday stood by what it called a "successful privatisation." "We are pleased to note that the companies have all been operating successfully since privatisation," one ministry official said.

The decision to sell PSA services, which faced chronic redundancy problems after the government started contracting out all its building work in 1988, was taken the following year by Mr Chris Patten, who was then environment secretary. Mr Patten is now governor of Hong Kong.

The grounds for privatisation were that transferring some of the redundancy costs to the buyers of the business would be less expensive than closing the PSA. However, the report suggests that the closure costs were "overstated". In what one official acknowledged was "a barbed criticism" of Mr Patten's decision to privatise, Sir John said "the NAO were unable to conclude whether each sale took place at a cost less than that of closure."

The PSA was broken in 1993 into five regional companies in preparation for the sale by Mr David Curry, then junior environment minister.

The sale eventually earned the Treasury only £4.7m even though the PSA was expecting profits of £33.4m in the coming year and had contracts from Ministry of Defence worth £400m over the following five years.

The buyers of the PSA were granted deferred payment terms, "effectively providing loans to purchasers," said the NAO. The one exception was W.S. Atkins, which acquired the Manchester division, and was paid £11.5m by the environment department to "buy" the business.

"The National Audit Office consider this was an unusual way of effecting a sale," the report concludes.

The report points out that redundancy costs under the Civil Service scheme were particularly high. Of the redundancy liabilities, £51m was transferred to the private sector and £133.5m was paid by the government.

Accountancy Biggest British firms are frustrated by differing national rules in areas such as auditing

Profession becomes testbed for Gatt liberalisation

By Jim Kelly
Accountancy Correspondent

Ambassador Leonora Saurel, the El Salvadorean envoy to the Uruguay round of the General Agreement on Tariffs and Trade (Gatt) has spent the week touring the offices of the "great and good" in British accounting. They discussed liberalisation of professional services across international borders, with accounting as the first such profession to be set free.

Last summer in Geneva, the working party on professional services held its first formal meeting since the foundation of the World Trade Organisation, its parent body, six months earlier. The Uruguay Round of Gatt had agreed at US and European insistence that multilateral trade rules should include services, which should be given a similar freedom of movement to goods. The working party is dedicated to removing barriers to the provision of cross-border professional services.

The working party has taken the accountancy profession as its testbed. Ambassador Saurel, who retains her ambassadorial status in her new role, is the working party chairman. This week she was in the UK at the invitation of its accounting profession.

There is some concern at the lack of urgency which appears to have gripped the working party. Professor Peter Walton of the University of Geneva is a keen observer of the party's work. "I am not sure that anyone fully understands the possible consequences of cross-border liberalisation, so it is hardly surprising that the WTO working party is approaching the subject with all the enthusiasm of a lobster watching the chef boil water," he says.

Mr John Heggarty, head of the Fédération des Experts Comptables Européens (FEE), the umbrella body for European accountants, also has concerns: "We remain convinced that the working party has the capacity to achieve greater liberalisation. We recognise the difficulties of getting started, but we remain hopeful concrete progress can be made in the near future."

Ambassador Saurel last called the working party to order earlier this month – the next meeting is March 15. The last meeting set out a list of subjects to be addressed in any model agreement, and asked for further information on professional qualifications in developing countries. The repeated requests for more information which worry some observers.

The working party has at least agreed a list of issues to be addressed. These include tackling the barriers which can prevent accountants practising across borders, such as the mutual recognition of qualifications; minimum periods for post-qualification experience; and minimum educational requirements. Others include relationships between local professional bodies, the use of the accounting code set out by the London-based International Accounting Standards Committee and an investigation of the way in which professional liability would be affected by cross-border practice.

Some countries wish to get to grips with the issues while others want to illustrate just how difficult the task may be. Australia, Canada, Japan, Switzerland, Turkey and the US have all put forward proposals on urgent issues to be addressed.

The US, for example, wanted to discuss restrictions on foreign ownership and differing ethical codes on advertising and competitive fees. The EU, which speaks for the member states at the working party, has yet to deliver its paper. Some observers deduce a lack of agreement behind the scenes.

Several WTO member countries have shown an outright lack of enthusiasm to grasp the nettle of reform. With less to gain, and underdeveloped domestic accountancy services, they have taken an understandable interest in taking a slightly cooler look at the proposed reforms. In Japan, for example, there appears to be anxiety that domestic firms might fall prey to acquisitive competitors from overseas.

Britain's "Big Six" firms will see many benefits in harmonisation. They are frustrated now by differing national rules in areas such as auditing. Italy's tradition of rotating auditors, for example, is seen as a significant problem, as are French requirements for several auditors to work on the same set of accounts.

Liability is a more difficult issue. At the moment each national firm of accountants believes itself largely protected from legal actions taken against sister firms in other countries. But as the "Big Six" struggle to portray themselves as global organisations, these firewalls may one day be in danger of being breached.

It would be too much to expect the working party to offer an answer to the liability problem along with everything else. The Big Six must hope that efforts to reform the law of liability in various states will eventually make it pointless for any litigant to shop around for the most beneficial jurisdiction in which to sue.

There is plenty of support for Ambassador Saurel's project in the UK. Her trip to London took in visits to the Accounting Standards Board, the International Accounting Standards Committee, and the Institute of Chartered Accountants in England and Wales – one of the bodies which has helped push forward the issue of harmonisation.

The human element is often overlooked in the heat of bid battle, says **Vanessa Houlder**

People power

Marathon takeover battles, such as that between Granada and Forte, usually end in euphoria for the winning side. But veterans of acquisitions are well aware that an initial triumph can turn into a pyrrhic victory.

There is a "remarkable consensus" that fewer than half of all acquisitions can be considered successful, according to research by the Economist Intelligence Unit entitled Making Acquisitions Work*, published today.

Studies of failed mergers and acquisitions usually focus on financial, strategic and business factors. Relatively little attention is often paid to cultural and human problems. Yet these issues which emerge during the implementation phase of a merger can scupper an otherwise promising deal.

"Unless the human element is managed carefully, there is a serious risk of losing the financial and business advantages which the acquisition could bring to the parent company," concluded a study of the role that the "human factor" played in 40 acquisitions in the US and UK in the 1980s by the London Business School and Egon Zehnder International, consultants.

The latest offering from the EIU concurs. "The major problems in the ongoing implementation phase usually concern human difficulties thrown up by the merger process." It outlines a number of integration rules employed by accomplished acquirers: "plan first, implement quickly, communicate frankly and act correctly". A company that is insensitive in the way that it treats people will store up problems for future acquisitions.

Given that the vast majority of acquisitions are friendly and the target company is freely open to inspection and discussion, thorough pre-acquisition planning is usually possible. But in many cases it is still a cursory affair that overlooks non-financial issues. In the LBS study, for example, all the buyers conducted financial audits of the acquired companies before they bought them. But only 37 per cent carried out a management or personnel audit. Even that figure was considerably overstated, because many of the audits were limited to pensions, salary levels and general personnel policies, covering just the top levels in the company.

Concern about the low priority given to personnel issues when an acquisition is evaluated is shared by consultants. "In a situation that demands and gets, detailed audits of equipment, property, finances and IT systems, the one asset that appears to be overlooked is people," says Bridget Skelton of PA Consulting Group. The risk of damage to morale, performance and culture is great, she thinks.

People in Business, a communications consultant, argues that a proper asset valuation should include information on recruitment and retention, assessment of the performance of key managers and its culture, values and behaviour.

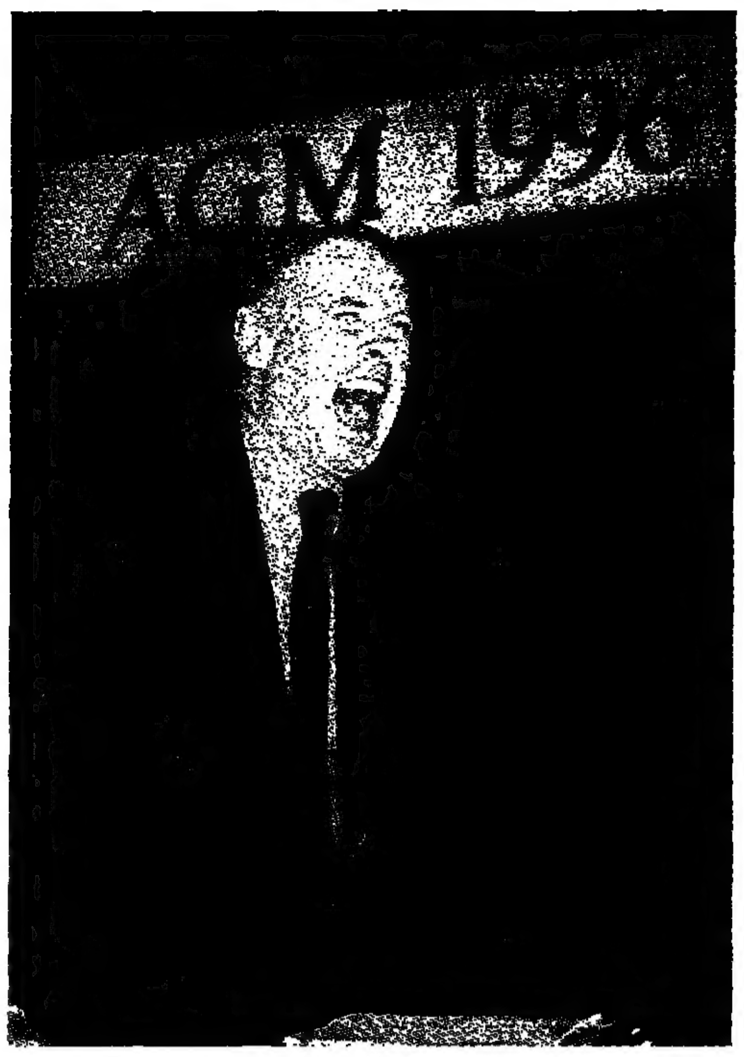
Issues surrounding post acquisition personnel strategy were examined by senior personnel directors, corporate financiers and fund managers at a seminar organised by People in Business last year.

All three groups were held, to some extent, responsible for the low priority given to human resources. The fund management industry came under fire for its narrow emphasis on financial measures in determining a bid.

Paul Manduca, chief executive of Threadneedle Asset Management, points out that few fund managers pretend to be experts on management issues.

"Most fund managers and corporate financiers have never worked in industry. They may know these businesses well but they actually don't know what the opportunities and problems are," he says.

But Andrew Lambert, managing director of People in Business, takes a contrary view. "A fund manager should be looking ahead to where the business is going in a much more inquiring way. This will, in turn, raise the ante for management teams, who will be under more pressure to plan and manage thoroughly, and treat people issues in a less cavalier fashion than too often seems to be the case."



Ashley Ashwood

Will Gerry Robinson have the last laugh? Initial triumph can turn into pyrrhic victory

Corporate financiers were also criticised for dominating the deal-making process and limiting access to other professionals. "What they [corporate financiers] need to do in the future is to include a wider array of professions to bring other necessary skills to bear," says Michael Robinson, director of human resources at Henderson Administration (the fund management group which took over Touche Remnant).

Nick Dillon, a director of corporate finance at Robert Fleming, agrees that there is a need for better analysis of some issues that involve human resources. Acquiring companies need to be more realistic about plans to squeeze costs and more careful about assessing the impact that those savings will have on turnover.

But he argues that it is up to the human resources directors to show the importance of their role.

A central problem may be an image one. "Given that HR is traditionally regarded as 'warm and fuzzy', it is even more difficult for the HR function to ensure that it has a seat at the table," says Robinson. It is, he concludes, important for human resources specialists to demonstrate that they have the commercial nous to be involved in the M&A team.

Participants in the seminar acknowledged that they could be accused of special pleading. But the idea that an earlier and more careful examination of the people and cultural issues would help improve the success of acquisitions seems persuasive.

Financial and business criteria provide the necessary, but not sufficient, preconditions for a successful acquisition, according to the London Business School study. Once the company has been acquired, it is then almost entirely dependent upon its people to make it live up to expectations.

Available from EIU, 15 Regent Street, London SW1Y 4LR. Price £345.

JOHN KAY

Poor odds on the takeover lottery

There have been four great merger booms in Britain this century. The first followed the development of mass production techniques which increased the efficient size of manufacturing plants and firms. Many of Britain's leading companies today, such as ICI and Unilever, are products of the wave of mergers which followed.

The next was in the 1960s, when concentration at home was seen as a response to growing competition overseas. It rarely was, and few of the companies created then – such as British Leyland or ICL – enjoyed the success their promoters had looked for.

The aftermath of those years itself developed to the theme of the 1980s' merger boom. The issue was no longer size and scale, or the development of national champions; it was releasing value. A different management team could make more of the same assets, whether through acquisition or buyout. Hostile bids, unknown before the 1960s and rare even then, became routine – Burtons bought Debenhams, Guinness won Distillers, Sir James Goldsmith failed to take BAT.

But for the mergers and acquisitions of the 1990s, the argument is different yet again. The emphasis is on partnerships and alliances, integration and related diversifications, on industry restructuring. Strategic logic is the key buzz word.

The reasons for mergers may vary, but the response remains the same. And you need only look at the grin on Gerry Robinson's face to see why. For the modern manager, only acquisition reproduces the thrill of the chase, the adventures of military strategy. There is the buzz that comes from the late-night meetings in merchant banks, the morning conference calls with advisers to plan strategy. Nothing else puts your picture and your pronouncements on the front page, nothing else offers so easy a way to expand your empire and emphasise your role.

But does this have much to do with business? The intellectual case for this type of merger and acquisition activity was developed by American lawyers and finance economists in the mid-1960s, who created the concept of "the market for corporate control". In this market, the right to manage corporations was a commodity for sale to the highest bidder, and as in any other market this process led resources to be deployed in the most efficient of all possible ways.

Yet there are at least two reasons why the analogy between the market for corporate control and the market for other goods and services does not really apply. One of the attractions of competitive markets is the pressure they create for gradual improvement and gradual correction. If your product is good, you gain market share, and that stimulates others to follow; if it is not, you lose market share and there is an immediate, and growing, need to respond.

Successful bidders are often only the people who were willing to pay too much. At the same time, good buys may be ignored because there is no way the potential purchaser can be confident that he really is making a good buy

The market for corporate control is not like that at all. Control, unlike market share, is an all or nothing business. So Distillers could wallow in complacency for 30 years until, in 1986, everything changed. There is no chance as there is in the detergent market to buy a bit more of Gerry, a little less of Rocco, and see how it works out; suddenly, and abruptly, Rocco is out and Gerry is in. The evolutionary process of the competitive market is replaced by the cataclysmic upheavals of the takeover process.

And that leads to the second important difference. Markets work best when there is symmetric information – when buyers and sellers are more or less equally well-informed about what it is they trade. The markets for used cars and life insurance never seem to work as well as they should – they are archetypes of asymmetric information. And so is the market for corporate control. Incumbent management always knows more about what is for sale than the potential purchaser. Even the worst of managers is better informed about his business than someone who has never been inside it.

And that is why, like used car trading, the market in second-hand companies is rarely efficient. Successful bidders are often only the people who were willing to pay too much – that is the reason why their bid succeeds. At the same time, good buys may be ignored because there is no way the potential purchaser can be confident that he really is making a good buy.

So companies get taken over that should stay independent, and companies stay independent that should be acquired. The largely random incidence of the takeover process means that it is very far from being the source of corporate accountability and effective discipline on management behaviour that the textbook model of the market for corporate control suggests.

And that is why the success record of acquisition activity, taken as a whole, is such a disappointing one. There are several ways in which the results can be assessed. Stock market studies show that, while takeovers certainly benefit owners of the acquired company, they do little for the acquirer.

Analyses of pre- and post-merger profitability fail to come up with net gains. Corporate histories show that companies divest a high proportion of what they buy. And the simple subjective test of asking firms whether they thought their purchases had or had not been successful comes up with no more than a 50/50 response.

There are particular acquisitions which have yielded indisputable benefits – such as the transformation of Distillers, or some of the under-managed companies bought by Hanson. An activity can be unprofitable on average and yet produce many individual successes. The national lottery is built on just such a principle. As Camelot reminds us each week, it could be you. But mostly it isn't.

COMMERCIAL PROPERTY

CONTRACTS & TENDERS

Small victory in battle over lottery

Antony Thorncroft on who gets what from the latest Arts Council grants

The arts have been saved from potential crisis – once again. A powerful rear-guard action by Lord Gowrie, chairman of the Arts Council of England, and his secretary general, Mary Allen, has clawed back most of the £5.1m cut in the 1996-97 grant for the arts contained in the last Budget.

The Treasury, ignoring government pledges that the additional money coming to the arts from the National Lottery would not be used as an excuse to reduce core funding, pushed through a 2.7 per cent reduction in the ACE budget, to £186.1m.

So appalled was Lord Gowrie that he refused to distribute his grant among the council's 170 clients and called for talks with Virginia Bottomley, the heritage minister. Yesterday Lord Gowrie announced that an additional £4.3m was available for the arts, to take account of the greater administrative costs the ACE carries in supervising lottery applications.

The ACE has also released £1m from its contingency fund. The result is that most of the council's clients, from the Royal Opera House Covent Garden with its £15m to the Notting Hill carnival bands with £100,000, will receive stand-still grants for 1996-97.

For most arts companies this will be the fourth successive year of frozen funding, which amounts to an 8 per cent decline in their grant in real terms. The ACE has recognised that some companies are in dire peril, and has given additional money. The main beneficiary is the Donmar Warehouse in Covent Garden which, in spite of an impressive creative reputation, was near to closing after the withdrawal of its sponsorship funding. It receives a one-off grant of £150,000 from the council.

Other companies to gain are the City of Birmingham Symphony Orchestra, which gets £75,000 more at £1.22m, and the Bournemouth Orchestras, up £75,000 to £1.66m. There are also small rises for the LSO, the LPO and the Philharmonia in London, and the Northern Sinfonia, reflecting the difficult financial climate for orchestras.

The council has developed national strategies for music and dance and they benefit more than drama from the limited sum available for extra funding. English Touring Opera receives £75,000 more and there are grants for chamber orchestras such as City of London Sinfonia, Sinfonia 21, the London Mozart Players and the Orchestra of St Johns. Among the dance companies, Siobhan Davies receives a rise of more than 45 per cent to £226,000, and there is £100,000 available to promote dance in London.

"This is a rescue operation that cannot be done again," Allen said yesterday. Next year the ACE faces another reduction in its basic grant. But by next year the £300m which the arts receives in lottery funding should be making an impact.

The most significant and encouraging news for the arts came on Monday when the heritage minister announced more flexibility in the use of lottery money.

In theory it can still go only towards capital rather than revenue projects. But these have been widened to include the cost of artistic commissions, grants to talented young arts performers and to increase access to the arts among the young and pensioners through subsidised ticket prices. It also includes a stabilisation fund which will give one-off grants to enable arts companies to push through strategic changes that will improve their financial situation.

It is possible that within a year the ACE will be distributing around £50m of lottery money to applicants in these areas. So theatres keen to commission new plays, orchestras seeking to perform to capacity houses, and arts educational projects could be attached to a substantial cash life-line by next year.

There should also be some signs of the gains to revenue funding which follow from the new capital projects funded by the lottery, from better seating, to computerised box offices, to shops and bars.

The impact of the lottery on the arts, however, is slower than anticipated. Allen said that although the Arts Lottery Board had committed around £250m to successful applicants, only £16m had actually been handed over. There were still problems about matching funding and ensuring that proposed schemes were financially water tight.

"This is not good news but an account of an aversion of disaster," Lord Gowrie said. "We are going into battle already to prevent a further cut next year." But it is unlikely that Bottomley, or her successor, will be quite so amenable about re-assessing the grant next November.

By then the hope must be that the money coming into the arts through the lottery will be starting to transform the UK into the cultural dynamo of the world.

As Lord Gowrie pointed out yesterday, the arts, along with its bedfellows in the media and tourism, is already the third biggest industry in the UK, the hope for the future for many former industrial cities.

When the bat met a bright butterfly

Paul Betts visits the Frick to find an exhibition celebrating the 19th-century dandy centred on one of Whistler's most famous paintings

Feeling somewhat *mauve* after a long transatlantic flight, I revisited this week The Frick Collection in Manhattan to restore my spirits and stumbled on to an enchanting little exhibition devoted to the Mauve Decade in France, England and America.

Called The Butterfly and the Bat, the show is based around one of the Frick's famous paintings: the portrait "Arrangement in Black and Gold". The painting is a depiction of the *fin-de-siècle* French poet, boulevardier and supreme dandy Count Robert de Montesquiou by the equally dandy American expatriate artist James McNeill Whistler.

The butterfly refers to the familiar insignia Whistler used to sign his works, reflecting the artist's aesthetic credo of delighting with the beauty of his art. However, he also added on occasion a stinging scorpion's tail to his butterflies, reflecting his dark side.

The bat was adopted by Montesquiou as his personal emblem together with the blue hydrangea because, in his own words: "I felt this refractory plant associated with this rebellious bird would dominate my life, because the two together would make use of me, for the one, in its abnormal azure blue, and the other, in its colourless anxiety ... represent the double sign of the joining of *Dissimilarity* and of *Melancholy*..."

The small exhibition, scattered around five galleries in the Frick's Fifth Avenue mansion, examines the wider context of Whistler's portrait, using the picture as the basis of a broader sociological survey of the attitudes and style of an age.

This is reinforced by the show's catalogue which is an illustrated social history by Edgar Munhall, the Frick's curator, of the *fin-de-siècle*

P. Helleu's 'Portrait of Whistler' 1897

world of grand aristocrats and upper bohemia, of salons and art studios.

Munhall organised a similar exhibition 10 years ago and wrote a book around another great painting in The Frick Collection, the portrait of Comtesse d'Haussonville by Ingres.

'The aristocratic pursuit of displeasing' was a mission

This exhibition was part of a growing trend of using a single work of art as the basis of a broader social and historical study.

In the case of The Butterfly and the Bat, the exhibition portrays the world of the 19th-century dandy through paintings, letters, furniture and other memorabilia connected with the Whistler-Montesquiou social set.

Thus one of the galleries is devoted to an exhibit of clothes and accessories favoured by the dandy, including a copy of the Chinchilla cape – made specially for the show by Revillon of New York – which the languid figure of Montesquiou carries over his arm in the Whistler portrait.

The cape belonged to the Comtesse Greffulhe, the reigning queen of Parisian society at the time, a life-long confidant of the Count and considered the most beautiful woman in Europe by Proust.

Proust used the dandy Count and the Comtesse as models for characters in his *A la recherche du temps perdu*.

For Montesquiou the nature of his clothing was only a manifestation of his aesthetic preoccupations, whether it be his handwriting, the decoration of his homes or the binding of his books. The exhibition underlines all this, echoing Baudelaire's definition that, "Dandyism is not, as many unreflecting people seem to believe, an immoderate taste for dress and material elegance. Those things for the perfect dandy are only a symbol of the aristocratic superiority of his mind and the only exercises proper for strengthening the will and disciplining the soul."

Baudelaire – a dandy himself for a short while – went on to say that for the dandy "the aristocratic pursuit of displeasing" was a mission. And certainly both Montesquiou and Whistler, to a lesser extent, were out to unsettle and provoke by using their armoury of wit, costume and artistic endeavour.

Whistler's portrait of Montesquiou was no exception. From the beginning it excited scandal and controversy.

The present show will continue to have an impact well after it closes thanks to Munhall's enlightening study. Anybody who will have seen it or read the book will look upon

Whistler's 'Arrangement in Black and Gold' of Count Robert de Montesquiou

Whistler's famous "black portrait" with a more understanding eye and perhaps re-assess the conventional view that dandyism is simply a frivolous pursuit.

It may well be so but there is nothing frivolous about Whistler's "Arrangement in Black and Gold". Whistler was quite obsessive about his portraits and tyrannical with his subjects. Montesquiou complained of being "drained" by the artist during the long posing sessions. But he also recalled in his memoirs the "most beautiful" phrase ever spoken by a painter: "Look at me for an instant longer, *and you will look forever*".

The great portrait will continue to hang in the Frick's Oval room past the garden court with its fountain and spitting frogs and Manet's "Bullfight" tucked away in one corner behind the palms.

Whistler and Montesquiou, The Butterfly and the Bat, by *Edgar Munhall*, published by The Frick Collection/ *Flammarion* ($45 hardback, 175 pages). The Frick Collection, 1 East 70th Street, New York, NY. The exhibition runs until Sunday, January 28: Flammarion, 26, rue Racine, 75006 Paris.

Music / Adrian Jack

Beethoven cycle

Barely a week after the Lindsay Quartet completed their trawl through Beethoven's complete string quartets at the Wigmore Hall, London has been offered another cycle by the Emerson String Quartet.

Unlike the British players, the American Emersons are playing the quartets in something closer to their chronology. In each of the first three concerts, they have included two of the Opus 18 set and one of the "Rasumovsky" Quartets, Opus 59, and in the opening programme we had the third and first of Opus 18 and the first "Rasumovsky".

If a less than capacity audience for these fine players suggested people thought the earlier works of slighter interest, it was a pity. And there was ample contrast between the shining and lyrical D major quartet, Opus 18 no 3, and the gruffer, more muscular F major work which comes first in the set.

These are rough generalisations with which anyone might take issue, for the F major Quartet has the more serious and expressive slow movement, whose most intense passage at the end the Emersons charged with such voltage that we hardly dared breathe.

The players arranged themselves, after the American fashion, with the viola player on the audience's right and the cellist between him and the two violinists. The outermost players sat three-quarters facing the front, emphasising that this was a public performance as well as a conversation among themselves. In both Opus 18 works, Philip Setzer took first violin and appeared very much to lead.

In the first "Rasumovsky" Setzer switched places with Eugene Drucker. Drucker seemed the less forceful player, yet it was hard to tell, for if he had seemed a shade discreet in Opus 18, here he was pushed, it seemed, to his limits and his brow was wet by the end. He did well – and better than well – as did the whole quartet.

The viola player was commanding, not encumbered by any of the awkwardness under which the instrument sometimes labours, and the cellist had a big and lovely sound – the whole instrument resonated with surprising immediacy, as if of its own accord.

In the first "Rasumovsky" there was the usual unfocused tuning on the penultimate note of the opening phrase, both when he introduced it and again when all the players restated it near the end of the movement; but there was little curdled intonation apart from that, or garbled rhythms – hardly grounds for quibbling in what were not so much "interpretations" as absorbing experiences.

There is a prejudice that technical excellence is hard to match with expressive depth, as if to say that you have to be a bit scratchy and ragged to be profound. The Emersons showed that Beethoven can be played with polish and not seem superficial.

Further concerts in the cycle at the Queen Elizabeth Hall: tonight, January 28, January 30, February 1 and 2. All at 7.45pm.

NPG goes for cash

The National Portrait Gallery this week made its £10m bid for lottery cash. It is applying to the Heritage Lottery Board for support in a planned £14m re-development. This is designed to refashion its entrance hall; install an escalator to transport visitors to the under-visited top floors; create a roof-top cafe with panoramic views; and build a lecture theatre.

The most interesting feature of the plan is the co-operation with the adjacent National Gallery. The NG's director, Neil MacGregor, has agreed to waive his right to ancient lights over the courtyard between the two galleries, which will provide much of the extra space. In return, the NG will gain a row of narrow galleries in the NPG overlooking St Martin's Place, which it will use to show small paintings.

If the scheme goes ahead there will be extra space to show 150 more paintings, concentrating on the Tudor period. The NPG displays 1,350 works from a collection totalling 9,500 portraits. In 1993 the NPG completed a £12m development, adding a library and offices and freed up space for the popular 20th-century gallery.

The architects are Jeremy Dixon and Edward Jones, and if all goes to plan the bigger and better gallery will be ready by January 2000.

A.T.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Koninklijk Concertgebouworkest: with conductor Hans Vonk, the Nederlands Kamerkoor and tenor Laurence Dale perform Debussy's "Trois Nocturnes", Escher's "Univers de Rimbaud" and R. Schumann's "Symphony No.4"; 8.15pm; Jan 31; Feb 1, 2

■ BERLIN

CONCERT
Konzerthaus
Tel: 49-30-203092100/01
● Sinfonieorchester der Hochschule für Musik 'Hanns Eisler' Berlin: with conductor Alun Francis and horn-player Katja Thierbach perform works by Prokofiev, Strauss and Stravinsky; 8pm; Jan 31
Philharmonie & Kammermusiksaal
Tel: 49-30-254880
● Grigori Sokolov: the pianist performs preludes and fugues from J.S. Bach's "Das Wohltemperierte Klavier", Chopin's "4 Nocturnes" and Stravinsky's "Petrushka"; 8pm; Jan 30
OPERA & OPERETTA
Komische Oper Tel: 49-30-202600
● La Traviata: by Verdi. Conducted by Shao-Chia Lü and performed by the Komische Oper. Soloists include Nadelmann, Küttenbaum, Fedin and Dobber; 7.30pm; Jan 29

■ BONN

DANCE
Oper der Stadt Bonn
Tel: 49-228-7281
● Ein Sommernachtstraum: a choreography by Youri Vàmos to music by Mendelssohn, performed by the Ballet Bonn. Soloists include Natascha Hoffmann-Sinikova and Alexej Moussatov; 7pm; Jan 27

■ DRESDEN

DANCE
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Rot und Schwarz: a choreography by Uwe Scholz to music by Berlioz, performed by the Ballet Dresden. Soloists include Margaret Illmann, Carole Arbo and Vladimir Derevianko; 11am; Jan 28, 31 (7pm)

■ FRANKFURT

EXHIBITION
Jahrhunderthalle Hoechst
Tel: 49-69-3601240
● Horst Antes. Werke aus der Sammlung Etta und Otto Stangl: exhibition devoted to Horst Antes, one of the leading figures of the West German art scene at the beginning of the 1960s. The display presents several works as proof of his successful endeavor to break up with traditions and create something new. The exhibits survey almost 30 years of Antes' artistic achievements and include among others his colourful Maja works; from Jan 28 to Mar 17

■ LONDON

CONCERT
Wigmore Hall Tel: 44-171-9352141
● Borodin String Quartet: perform Barber's "Adagio for Strings", Shostakovich's "String Quartet No.3 in F" and Schubert's "String Quartet No.14 in D minor (Death and the Maiden)"; 7.30pm; Jan 30
● Malcolm Binns: the pianist performs Chopin's "Baracolle in F sharp Op. 60", "12 Etudes Op. 10", "Nocturne in C minor Op. 48 No.1" and "12 Etudes Op. 25"; 7.30pm; Jan 29
DANCE
Royal Opera House - Covent Garden Tel: 44-171-3044000
● The Sleeping Beauty: a choreography by Petipa to music by Tchaikovsky, performed by The Royal Ballet. Soloists include Sylvie Guillem and Jonathan Cope; 7.30pm; Jan 29, 31; Feb 1

■ LOS ANGELES

CONCERT
Schoenberg Hall
Tel: 1-310-825-2101
● Los Angeles Guitar Quartet: perform works from their new release "Labyrinth"; 8pm; Jan 27

■ MADRID

EXHIBITION
Fundación Juan March
Tel: 34-1-4354240
● Tom Wesselmann: retrospective exhibition devoted to the North American Pop artist. His preference for the big format, the important role of drawing in his work, and the exaltation of everyday life are some of the constant features in the Wesselman's art. The display includes some 90 works; from Feb 2 to Apr 21

■ MILAN

THEATRE
Teatro Carcano Tel: 39-2-55181377
● Uno, Nessuno e Centimila: by Luigi Pirandello. Directed by Marco Mattolini and performed by the Teatro Carcano. The cast includes Flavio Bucchi, Claudio Angelini, Stefania Barca and Pietro Montandon; 9pm, Sun 3.30pm; from Jan 30 to Feb 18 (not Mon)

■ MUNICH

CONCERT
Nationaltheater
Tel: 49-89-21851920
● Bayerisches Staatsorchester: with conductor Gennady Roshdestvensky perform Haydn's "Symphony No.72 in D", Shostakovich's "Violin Concerto" and Tchaikovsky's "Symphony No.5"; 8pm; Jan 28 (11am), 29, 30

■ NEW YORK

CONCERT
Avery Fisher Hall
Tel: 1-212-875-5030
● New York Philharmonic: with conductor Kurt Masur, violinist Cynthia Phelps, trumpeter Philip Smith and cellist Lorne Munroe perform Sheng's "Fanfare: Arrows to the Page", Bartók's "Viola Concerto", Chaynes' "Trumpet Concerto" and R. Strauss' "Till Eulenspiegels lustige Streiche"; 8pm; Feb 1, 2, 3
JAZZ & BLUES
Blue Note Tel: 1-212-475-8592
● Grand Slam & Monty Alexander Trio: two performances on one evening. The performance by Grand Slam, featuring Jim Hall, Joe Lovano, Christian McBride and Lewis Nash, is followed by that of the Monty Alexander Trio, in which Monty Alexander, Ira Colman and Dion Parson join forces; 9pm & 11.30pm; from Jan 30 to Feb 4
OPERA & OPERETTA
Metropolitan Opera House
Tel: 1-212-362-6000
● Il Barbiere di Siviglia: by Rossini. Conducted by Adam Fischer and performed by the Metropolitan Opera; Jan 27

■ PARIS

CONCERT
Théâtre des Champs-Elysées
Tel: 33-1 49 52 50 50
● Ruggero Raimondi: accompanied by pianist Anne-Marie Fontaine. The bass performs works by Bellini, Ibert, Mussorgsky, Duparc, Fauré, Mozart and Ravel; 8.30pm; Jan 29
Théâtre du Châtelet
Tel: 33-1 40 28 28 40
● Orchestre de Paris: with conductor Semyon Bychkov and violinist Maxim Vengerov perform Mendelssohn's "Violin Concerto No.2" and Stravinsky's "Le Sacre du Printemps"; 11am; Jan 27

■ STUTTGART

CONCERT
Staatstheater Stuttgart
Tel: 49-711-20320
● Staatsorchester Stuttgart: with conductor Gabriele Ferro and violinist Vidor Nagy perform Bartók's "Viola Concerto", Bruckner's "Symphony No.1", and the world premiere of Milko Kelemen's "Für Anton"; 11am; Jan 28, 29 (8pm)

■ VIENNA

OPERA & OPERETTA
Wiener Staatsoper
Tel: 43-1-514442960
● Manon: by Massenet. Conducted by Jan Latham-König and performed by the Wiener Staatsoper. Soloists include Elizabeth Norberg-Schulz and Kurt Rydl; 6.30pm; Jan 30

■ WASHINGTON

OPERA & OPERETTA
Eisenhower Theater
Tel: 1-202-467 4600
● Verlobung im Traum: by Krása. Conducted by Israel Yinon and performed by the Washington Opera; Jan 30; Feb 1

■ ZURICH

CONCERT
Opernhaus Zürich
Tel: 41-1-268 6666
● Orchester der Oper Zürich: with conductor Franz Welser-Möst, soprano Inga Nielsen and mezzo-soprano Cornelia Kallisch perform works by Beethoven and Messiaen; 7.30pm; Jan 27

WORLD SERVICE

BBC for Europe can be received in western Europe on *Medium* Wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Philip Stephens

New suits, old strains

The furore over Harriet Harman's choice of school for her son demonstrates that strife is within, rather than between, parties

For 18 months Tony Blair has been wrenching his party from its tribal roots. He has been teaching New Labour a new language. The individual counts. Rights imply responsibilities. Markets and competition equal prosperity. The middle classes are there to be courted rather than clouted. It is colleagues, nowadays, not comrades.

To watch this process has been to marvel at Mr Blair's audacious authority. It is true that behind the scenes, there have been struggles and difficult compromises, many more than have found their way into the public prints. Let no-one think that members of the shadow cabinet have only fond words for each other. Watch, say, the body language between Gordon Brown and Robin Cook. Nor have Denis Canavan, Dennis Skinner and Ken Livingstone forgotten the politics of class war.

But for every diehard socialist still crouched on the Labour benches at Westminster, perhaps two others have been swapping picket-line anoraks for the smart suits of social democracy. Mr Blair was winning, and decisively so. Until this week, that is.

The storm over Harriet Harman's decision to send her 11-year-old son Joseph to a grammar school has now subsided. Mr Blair kept his nerve. He kicked the backsides of less resolute colleagues. Hard. Late on Monday night Mr Blair was told by several senior figures in the party that Ms Harman's position was untenable. He said she was staying. Period.

It took about 24 hours for John Prescott, visibly fuming on Tuesday, to regain his composure. He is no friend of Ms Harman. But volatile though he is, Mr Prescott is 57. This was not an issue on which to risk the election and, with it, his last chance of a ministerial career.

Shaky at first, Ms Harman also recovered her balance. There is nothing wrong, she finally explained, with treating with the real world as it exists while wanting to change it for the better. Pretty obvious really. If not, what on earth are politicians for?

Grammar schools are an obsession of London's middle classes, journalists and politicians pre-eminent among them. They are not a serious issue in British politics. For all the talk of choice and diversity, I heard not a single sensible voice this week call for a return to examination-based selection for 11-year-olds. Conservatives know as well as anyone that the system scrapped 30 years ago was as bad as it was unpopular.

The damage inflicted on Labour by this episode came not so much from the Tory charges of hypocrisy. The voters expect that of their politicians. It is the atavistic fury which Ms Harman's simple act of parental choice unleashed among her colleagues that cannot be brushed aside. For all the new suits, the parliamentary party probably remains the most unreconstructed part of New Labour. This week it showed.

Sure Mr Blair ultimately prevailed, and visibly so. As Mr Prescott discovered, he does not buckle. And of course, it would have been absolutely disastrous had Ms Harman been forced to resign. But as it is, it has still been a thoroughly bad week for the Labour leader. For John Major, it has been the best since his victory in last summer's Tory leadership contest.

> Television has subtly altered the distribution of power. Instant access to studios gives relatively small groups of MPs the capacity to wreak havoc

We must assume that Mr Blair will be drawing some obvious lessons. He cannot afford another row like this. Saving Ms Harman exhausted much of his credit with the parliamentary party. Resentment at the way policymaking seems to be concentrated in the hands of a small group around the leader spills out beyond the hard left.

For the past three years the media has been mesmerised by the infighting in the Tory party. British politics has been defined by intra- rather than inter-party strife. The Tories have whetted the media's appetite. As the election approaches it will be ever more eager to shine the spotlight on Labour's conflicts.

The remorseless expansion of television has subtly altered the distribution of power at Westminster. Instant access to the studios gives relatively small groups of MPs the capacity to wreak havoc. Aided and abetted by the mutterers in the shadow cabinet, the Labour left this week simply slipped into the shoes of the Tory Eurosceptics. For Ken Livingstone, Brian Sedgemore and Denis Canavan we would last week have read Bill Cash, Nicholas Budgen and Richard Body.

Mr Major, who sometimes seems the only one left in the Tory party who thinks it can win the election, will draw a broader conclusion. Look, he can say, Labour is vulnerable. Beyond Mr Blair lies a party still wedded to the politics of envy. The charge that a Blair-led government would lead the country back to state collectivism will never stick. Those are not his instincts, and the voters are not stupid. But a line of attack has opened up.

Think about it. If a decision to send one small boy to a particular school causes such paroxysms, how will Labour react when the going gets rough in government? What will the party do when chancellor Gordon Brown looks at the Treasury books and finds he must cut welfare spending?

Serious Conservatives understand also that attack is their only defence. Forget the guff about competing visions of enterprise and stakeholder economies. If Mr Major has a chance left, it lies in persuading the electorate to fear Labour more than it despises his government.

But my own view is that we have seen again in the events of this week the beginnings of more profound shift in British politics. The tribal bonds which once held firmly together the competing factions in both main parties are weakening. Agreement is as often found across the parties as within them. Does anyone think Mr Blair's politics are closer to Mr Livingstone's than to, say, those of Kenneth Clarke?

For seven years now we have witnessed the fracturing of the Tory party. By breaking with Clause 4 socialism, Mr Blair is imposing similar pressure on the Labour coalition. Of course, the strains are barely evident yet. But he must accept that a sizeable minority in his party will never be comfortable with social democracy. As he runs ahead on the road of modernisation, he robs Old Labour of its past. At some point it may fight to reclaim it.

It was pure coincidence that at the moment on Monday that Mr Blair was resisting his colleagues' call for the dismissal of Ms Harman, Paddy Ashdown was making him an offer. Take the Liberal Democrats into partnership, Mr Ashdown declared, and you will have security in government for a decade.

Far-fetched you might think. But everything I see in British politics tells me that the mould may finally be cracking. If I were Mr Blair, I would spare a few minutes this weekend to consider Mr Ashdown's offer.

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Russia holds key to relations with Baltic states

From Mr J. Lūsis.

Sir, John Lloyd writes ("The reform of Russia: for worse, for better", January 24) writes: "Russia is indeed limited, constrained and cramped; by the new states all about it, which include the three small Baltic countries whose rhetoric and sometimes actions are at best cold...", thereby implying that the Baltic states are to a considerable degree responsible for a general worsening of relations with Russia.

There is, however, a different perspective. The Baltic states are not "new" states, but rather countries which have regained their independence after 50 years of Soviet occupation.

Immediately after re-establishment of independence in 1991, the Baltic states, Latvia included, began to develop bilateral relations with Russia based on equality, mutual respect, mutual benefit and other universally acknowledged principles of international law. In the past four years, Latvia and Russia have signed a series of significant treaties, which have created a stable foundation for the further development and deepening of relations. Among these treaties, especially noteworthy is the "Treaty on the withdrawal of Federation of Russia Armed Forces".

I hope that relations between our countries will continue to improve. But this is as much, if not even more so, dependent on the actions of Russia towards its sovereign neighbour.

Any attempt by Russia to retain Latvia in its sphere of influence, or in any way threaten Latvia's sovereignty, will not in any way foster the development of positive bilateral relations.

J. Lūsis,
ambassador,
Embassy of Latvia,
45 Nottingham Place,
London W1M 3FE

Looniness in the City

From Dr Anne-Carole Chamier.

Sir, I'm not an economist, nor a financial whizz. I'm an impoverished scientist. But I can see a huge question-mark hanging over the Granada/Forte takeover. Was it really worth £147 x 10^6 for Granada to acquire enterprises in which it admitted it had little expertise; then sell off the hotels in which Forte does?

The sums involved make the National Lottery look rather like a vicarage raffle prize. And I can think of a very worthy colleague who has been struggling for years to find even £1 x 10^6 to do important river catchment research. We look upon looniness in the City with wonder.

Anne-Carole Chamier,
Achandunie House,
Ardross, By Alness,
Ross and Cromarty,
Scotland IV17 0YB, UK

View of pensions is unfortunate

From Mr Jonathan D.H. Callund.

Sir, Your article on the Chilean AFP (private pension funds) system "Chile's private pension funds, feted abroad, maligned at home" (January 18) has caused some misunderstanding in the Chilean and other international media. In the last paragraph, the juxtaposition of my quoted comment on AFP members not reading, nor understanding, their periodic account statements and the concluding comment by your correspondent, Imogen Mark, is most unfortunate.

Far from being lucky for the government, it is unlucky for the government that there is such a general lack of understanding as to the operation of a pension fund. Because of this, members find it difficult to understand why the rate of return was negative in 1995. Even in Congress, the concept of pension funds is not understood. The negative returns in 1995 led to a proposal in Congress for a special inquiry. This was fortunately quashed. After all, one bad year after 14 years of positive returns should certainly not give cause for alarm, especially when the average real rate over the whole 15-year period was well in excess of 12 per cent per year.

In the penultimate paragraph of the article, my views on the projections of pensions for a discrete group of pensioners under the system were referred to. There will indeed be more than a 15 per cent fall in the pensions paid to members using "programmed withdrawals" (an alternative to purchasing a life annuity, whereby the member draws down a determined amount each month from his personal account, the amount of which is recalculated annually using actuarial and regulated interest). It should be noted, however, that less than 60,000 of some 200,000 people who have retired under the AFP system have opted for a programmed withdrawal. Furthermore, until this year, this group had seen its pensions rise over the last five years by a real rate of some 14 per cent per year.

This is the issue at hand. After regular increases in their income each year, due, in the main, to the excellent performance of their funds, they will suffer a drop in pension income. However, even after this fall, the pension will still be more than 50 per cent higher, in real terms, than it was in 1990.

Jonathan D.H. Callund,
general manager,
Callund & Cia,
Américo Vespucio Sur N°80,
Las Condes,
Santiago, Chile

Employee motivation is essential route to profitability

From Mr Peter Burton.

Sir, David Morgan (Letters, January 24) attacks Professor John Kay's view that companies should develop employees even when there is no immediately obvious link to profitability. Mr Morgan's approach is exactly the sort of short-termism which leads to many UK companies turning in a mediocre performance because of an inadequately trained and poorly motivated workforce.

Research has shown that employees stay longer and perform better if management pays attention to their development, particularly in situations where job security is in doubt, which are all too common at present.

There is a great deal of evidence that high levels of customer loyalty and commitment, which are essential if profitability is to remain high in a strongly competitive environment, are achievable only if the workforce itself is motivated and committed. We ignore this evidence at our peril.

Peter Burton,
AGC Consultants,
26/28 Bedford Row,
London WC1R 4HF,
UK

Europa · Janusz Reiter

Poland's search for allies

The west should stand up to Moscow and bring central European countries into Nato

At present one can only speculate as to whether Mr Yevgeny Primakov, the Russian foreign minister, is the man who will – as some people fear – bring to an end the pro-western episode in Russian foreign policy which started in the late 1980s.

The differences could hardly be more marked between him and his immediate predecessors. Mr Andrei Kozyrev sought to avoid a real hardening of Russian policy while adopting a tougher style, and Mr Eduard Shevardnadze, the Soviet foreign minister, dealt with the outside world after Moscow's reforms had opened the window of opportunity.

This becomes obvious when reading the memoirs of Mr Hans-Dietrich Genscher, the former West German foreign minister. Mr Genscher quotes talks with Mr Shevardnadze in which one finds arguments for Germany's integration into Nato that have again become very familiar in the protracted discussions on Poland's efforts to join the alliance.

How was it possible to integrate the former German Democratic Republic (East Germany) into Nato while the central Europeans are so unsuccessful in their present efforts?

The names of Mr Mikhail Gorbachev and Mr Shevardnadze do not by themselves provide an explanation, even though they are closely linked with a unique phase of openness in Moscow's politics. There are at least two further elements in the equation: Germany displayed a high degree of determination in its approach to Nato membership and – perhaps even more important – the western world gave this policy clear support.

But when it comes to Poland and Nato, two of the three ingredients of Germany's success are missing: a positive political climate in Moscow and a clear stance by the west. These two are linked, because the terms "positive" and "negative" when referring to the political climate in Moscow are relative. Had the west not displayed all its authority six years ago, it might have heard from Moscow that the climate there was not good enough for a united Germany to become a member of Nato.

The hardening of Russian policy is a fact. Mr Primakov, as the head of Russian diplomacy, personifies this change. His initial statements, including those on Poland, do not leave any room for illusions. In an imperious manner, he declared that Moscow would not consider any military intervention in Poland. But he also stated with gratifying openness why he could not accept Poland's accession to Nato. It would affect Russia's geopolitical interests. This language is tough, but clear.

The west has not used such tough language for a long time. The meandering course followed on the question of Nato enlargement suggests that it is not really clear about its own goals. This is precisely where the problem lies. When Nato argued about a reunited Germany, everybody was aware that Europe's stability was at stake. A Germany at the heart of Europe but not integrated with other European states would have thrown the continent back into political rivalries which were a familiar picture before the first world war. Germany and her allies and partners, including Poland, agreed on that much.

Opposed: Alexander Kwasniewski, left, and Yevgeny Primakov

In the discussion on enlargement, this kind of strategic insight is missing. Instead, the same naive question is being repeated time and again: why should Poland join Nato if there is no military threat from Russia? It can be answered by asking a different question: was eastern Germany integrated into Nato because there was a military threat?

One can believe Mr Primakov when he says that Russia has no intention of dispatching troops to Poland. What are at stake are geopolitical interests. Moscow wants political room to manoeuvre in central Europe. But, even if we appreciate Russian interests, this is the very thing we cannot afford to concede. And not just because of Poland; those who are interested in a good relationship between Europe and Russia should do everything in their power to prevent the historic triangle of tension between Russia, Poland and Germany from resurfacing.

Linking Poland to the same structures that embrace Germany is the best guarantee of achieving this. This applies to the European Union as well as Nato, but I do not believe those who suggest that a more appropriate solution would be for Poland merely to join the EU while relinquishing the goal of Nato membership. After all, is anyone really prepared to offer Poland immediate accession to the EU rather than to Nato?

There is another important issue: the attitude of Poland itself. How determined is Poland to achieve its goal? At times this question contains the assumption that the election of the post-Communist Mr Alexander Kwasniewski as president might signal a mood swing. This is not the case. During the election campaign, foreign policy played only a minor role and was not a bone of contention. Obviously the majority of the electorate were convinced that, under Mr Kwasniewski, the course of foreign policy towards integration with Nato and the west would be continued. After all, this was what happened in Hungary after Gyula Horn, a former communist, took over the government and kept up efforts to join the EU and Nato.

And yet some questions remain open for Poland and the whole region: will the rise of the post-Communists create a mental chasm between these central European countries and the West? Will the new Polish president be able to gain the genuine trust of the western partners, and will he be able to convince them that the future of European integration – and that means European politics in general – will be determined by the decision on Poland's co-option?

And finally, will Mr Kwasniewski be able to bring Poland unscathed through the present political crisis, triggered by allegations that Mr Jozef Oleksy, the prime minister who resigned on Wednesday, spied for Russia? In the next few years, which coincide with Mr Kwasniewski's term of office, decisions must be reached that will influence Europe well beyond the turn of the century. The integration of Poland and the other central European states into Nato and the EU is an essential part of this process, which is as important as the search for a new modus vivendi between the west and Russia. Mr Primakov's harsh language is not necessarily a bad omen. In this "window of opportunity", real interests are being negotiated and niceties do not need to be exchanged.

The author was Polish ambassador in Bonn from 1990 to 1995 and now heads the Centre for International Relations at the Institute of Public Affairs in Warsaw

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Friday January 26 1996

Russia steps backwards

Westerners with an interest in Russian economic success must come to terms with the fact that the country has effectively acquired a new government – with new priorities. They should not cling to the hope that the shifts in policy and personnel since the December parliamentary elections only signal changes in style, not substance.

President Boris Yeltsin has sought to encourage such wishful thinking, repeatedly reassuring investors and International Monetary Fund officials that the core of his economic policy remains unchanged. But his soothing words were yesterday drowned out by his appointment of Vladimir Kadannikov, a hardline critic of the reforms, to the post of first deputy prime minister in charge of the economy.

His predecessor, Mr Anatoly Chubais, was the most widely respected and successful proponent of economic stabilisation in the cabinet. His survival owed much to a willingness to reach messy, often risky compromises with his opponents. But he was at least distinguished from many colleagues in his belief that messy reform was better than none.

It was Mr Chubais's recent "flexibility" in agreeing to a range of opaque and highly unpopular privatisations in the energy sector that provided Mr Yeltsin with a popular excuse to sack him. But there is little evidence to suggest that the new cabinet members will be any more committed to transparency and economic pluralism in the microeconomic realm – quite the reverse.

Bear fruit

Mr Chubais's departure casts even larger doubts over the prospects for the stabilisation programme. The minister's determination to stick with the targets for fiscal and monetary policy agreed with the IMF last spring has brought inflation down to 3.2 per cent per month, the lowest since the beginning of the reform process.

Observers have always expected some loosening of the macroeconomic reins in the lead-up to the presidential election. The issue was whether this would be large enough to derail the economic programme, just as it is beginning to bear fruit.

On the face of it, Mr Yeltsin's promise that the government will start paying its bills, along with the pension increases announced yesterday, are responses to legitimate popular grievances about the inequitable and ad hoc way in which the government has reined in spending. A certain amount of such extra government expenditure could have beneficial social effects, without jeopardising the goal of low inflation, though only if it is bond-financed.

Fixed band

Yet Mr Yeltsin's decision to put the head of the ailing automobile giant, Avtovaz, in charge of economic policy raises fears of still greater slippage, for the benefit of the overmanned military-industrial complex. Mr Kadannikov has said he wishes to strengthen domestic industries. He also spent much of last year bemoaning the effects on competitiveness of the sharp real appreciation of the rouble. The worry must be that these words will mean a resumption of large inflationary subsidies to industry and, possibly, an abandonment of the successful attempt to hold the rouble within a fixed band.

The Russian economy would still be paying the price of such a reversal long after the presidential election was won or lost. Possibly, the immediate effects on the government's credibility in financial markets and with outside institutions, such as the IMF, would be enough to make Mr Yeltsin reconsider. But, as of yesterday at least, such people should be wary of putting too much faith in Mr Yeltsin's very questionable economic judgment in the run-up to the election.

Recent events do not mean that the Russian economy is doomed to plunge back towards hyperinflation, or that the mistakes and gross excesses of the past will necessarily be repeated. But no-one should discount the possibility. Nor, most importantly, should they continue to presume that Mr Yeltsin should be supported at all costs, on the assumption that the West's interest in a stable, pluralistic, market economy in Russia is one that he – and he alone – shares.

Latin America's corrupt politics

The image of corrupt Latin American politicians reinforces a stereotype of the region. But the emergence of the scandals of recent years is, in fact, rather encouraging. They show that plenty is still wrong. But the fact that more are emerging into the open – the latest has Colombian President Ernesto Samper fighting claims he knew cocaine money financed his 1994 election campaign – is a sign that democratic institutions are sputtering into life.

Latin American states have been dressed up as democracies since independence from Spain. But, for the majority, these democratic trappings used to belie reality. That is now slowly changing. Latin America's press, radio and television, its judicial systems and its civil societies are increasingly asserting their independence, making politicians accountable for their actions for the first time.

The development is slow and uneven. In some countries, alleging corruption has become a part of the political game. The regular efforts by Congress to impeach ministers in Ecuador makes the country almost impossible to govern. There are countries, such as Peru, where checks on the executive hardly exist. Even in Chile, the army is often above the law and the head of the armed forces does not report to the president.

Change is not happening instantly. Most Latin American countries may now have experienced more than a decade of unbroken rule by elected governments. But modern institutions do not magically emerge at the moment an elected government takes power. And while ceding state control over the economy gives politicians less room for corruption, economic reform itself, in particular privatisation, has provided opportunity for corruption on a grand scale.

Similar scandals

A particular reason why the corruption scandals are emerging now is that many senior politicians began their careers in a different political landscape. This is not a uniquely Latin American phenomenon. Similar scandals have emerged in South Korea, Italy and Japan.

Fernando Collor of Brazil, forced out of office by a corruption scandal, looked the very model of a modernising president, but he emerged out of the Jurassic swamp of politics in the north-east. Similarly, whatever may be the merit of the corruption charges he faces, former President Carlos Andrés Pérez of Venezuela, was first president in the 1970s when government's chief job was to share the spoils of oil revenues.

Autocratic tradition

No charges have been laid at the door of former President Carlos Salinas of Mexico, who fell from grace only after stepping down from office. But his brother is in jail facing charges of murder and illicit enrichment, and his own record in office is badly sullied. Mr Salinas did attempt to modernise the economy, but tried to avoid a parallel political opening. He was thus firmly – more firmly than many foreign supporters realised – in the autocratic tradition of the Institutional Revolutionary party, which has ruled Mexico for 67 years, in which his family had been long embedded and through whose ranks he rose.

The accusations against President Samper emphasise the infiltration into Latin American politics of money from drug traffickers over the last decade. This development undermines trust in democratic institutions, and intimidates and suborns those honourable men and women who would resist it. Unfortunately, little, except perhaps the increasing demand in the US for synthetic substitutes for cocaine, suggests these pressures will decrease.

Yet Colombia's institutions are strong enough, as were those in Brazil and Venezuela, to survive a presidential resignation. And Mr Samper's experience also suggests it would be political suicide for future Colombian presidential candidates to use drugs money in their campaigns.

Corruption may remain a fact of life in Latin America, as elsewhere, for some time. But, since politicians have fewer opportunities for self-enrichment and run more risk of being found out, the problem should steadily diminish.

The FT Interview · **Douglas Warner**

Recasting the House of Morgan

As J.P. Morgan shifts from wholesale lender to integrated investment bank, its chairman talks to Peter Martin and Richard Waters about the future

The New York rain is lashing against the windows of 60 Wall Street. Douglas Warner does not let it disturb his concentration. The chairman of J.P. Morgan, known as Sandy to his colleagues, ponders a question that has obviously come as a surprise. People say he's tough – is he?

He starts his answer hesitantly: "I have a real passion for what this place stands for." He sketches out what that means, gaining confidence from the familiar words: quality, values, "the intensity of effort required to operate on a global scale." By now, his tone of voice offers little sympathy for anyone who does not share his convictions. "That comes through in a commitment, a desire to win – though winning is not a 'win at all costs' idea."

As Mr Warner supervises the final, most difficult stages of J.P. Morgan's shift from wholesale lender to integrated investment bank, that is exactly the balance he must strike. Morgan is now on the home turf of such famously aggressive firms as Goldman Sachs, Salomon Brothers and Merrill Lynch.

Competing with them will take all Mr Warner's desire to win; but to retain the loyalty of its blue-chip clients, the bank cannot simply "win at all costs".

Still, Morgan's transformation has so far been more successful than even its architects had hoped. Only a few years after starting to underwrite US corporate bonds, entering the US equity markets, and competing to advise on mergers, Morgan is a significant force in all three areas. Now Mr Warner, chairman for just over a year, must wring acceptable levels of profit from the new businesses.

Before the securities law reforms that followed the 1929 stock market crash, Morgan was both commercial and investment banker. The reforms cut the house in two, dividing it into Morgan Guaranty Trust, a commercial bank, and Morgan Stanley, then as now an independent investment bank.

In 1979, Morgan Guaranty started rebuilding the skills it had surrendered. The law still barred it from investment banking in the US, so Morgan learnt the trade in London, in the Euromarkets.

"That was the point at which we began to develop the skills in earnest," says Mr Warner. "We began to think of solving our clients' financial needs with a whole new set of capabilities."

That project – symbolised by the re-adoption of the J.P. Morgan name – is now yielding fruit as banking restrictions ease. In 1989 it was allowed to underwrite new issues of corporate debt; in 1990, equities.

That was "what really changed the way we think, the way we act," says Mr Warner. His tone, normally casual, acquires sudden intensity. Imagine, he says, discussing mergers with your client, "and when you get to the single most important thing to any chief executive – his equity – you can't do it! Think of the frustration and the inefficiency and the competitive disadvantage."

Now, he says, Morgan is two thirds of the way through developing its equity business. In the second half of last year, it was at least lead or co-manager in 20 per cent of all equity issued in the US. That is a good start; but the real rewards go to the handful of firms that routinely lead-manage the big issues. Moving up that ranking will be harder. But, says Mr Warner, "we're not trying to be number one in the equities business, we're trying to get the first call from our clients when they've got something interesting to do in the equity market."

To achieve that, Morgan has invested heavily in investment bankers and research analysts. And to justify those costs, the bank must get the "privileged dialogue" it seeks. Here is where Mr Warner's practical, nuts and bolts approach comes in. Establishing clients on "first call" status – ensuring they ring J.P. Morgan first – is more than an aspiration: it is now part of every Morgan banker's pay packet.

Mr Warner measures: "For how many of our clients did we know about their intention to do a deal before they did it? In how many of those cases did we get to make a serious proposal before they did it? And how many of those serious proposals did we convert into business?

"When one of our bankers says 'Warner, my client is first call' I can objectively evaluate whether that's true or not by seeing when the client does a piece of business. If he says the client is first call and we didn't know about it in advance there's something wrong. So we shoot for first call and we evaluate and compensate for that."

Winning that first call is expensive. Since 1992, staff costs have risen 44 per cent – faster, as a proportion of revenues, than other publicly quoted investment banks. In 1995, Mr Warner's first year, that rising trend started to slow, thanks in part to a cut of 1,400 in staff numbers, costing $55m (£35m) in severance pay.

In the fourth quarter, costs were only 3 per cent higher than a year before, even though revenues for the quarter rose 24 per cent and net income nearly doubled to $368m. Mr Warner is pleased, but eager for further profit gains. As it has built the new businesses, Morgan's return on equity, 13.6 per cent in 1995, has been below past levels. "Are we going to be content from a client point of view or a profitability point of view with the levels we achieved in 1995? No way. So we've got a ways to go."

He believes that profits will rise as the bank's new businesses mature. But what if continental Europe's universal banks buy their way in to the US, pushing down returns? Is it possible that we are looking not at a once-and-for-all transformation cost but a long process of industry-wide low returns?

"I think that is a distinct possibility," says Mr Warner, "and I think that the firms that will come out the other side of that with their strategies, client relationships and global capabilities intact will be the ones that focus intensively on areas of comparative advantage."

One of the bank's comparative advantages is reputation – but to some outsiders, that reputation took a knock in Spain in 1993. The bank's Corsair fund (named after the great J.P. Morgan's yacht) took a big stake in Banesto, one of Spain's largest banks. Morgan drew up a restructuring plan and led a $700m equity-raising issue. Only four months later, Spain's central bank took Banesto over, accusing its managers of overstating assets.

What are the lessons of that episode? Mr Warner's first reaction is a curious one for a bank renowned for prudence and conservatism: "Well, I hear where you're coming from," he says, "but don't be surprised again if we make a mistake because we're going to make them."

"In that particular instance mistake may be the wrong word. It was a high-risk deal going in and everybody knew it. Was that the outcome that we anticipated when we did the deal? Hell, no. Might it still work out, indeed is it on a pretty decent track right now? Yes. Was it a long-term investment always? Yes. Is the fundamental investment thesis that we had still intact? Yes."

Since then, he says, the bank has held postmortems, asking "what could we have done differently?". In this, and in other ways, Mr Warner stresses the need for continuous improvement in the way the bank works, emphasising speed, flexibility, and innovation – qualities not traditionally associated with the bank, perhaps, but ones he believes it has acquired in recent years.

Steps he has taken include cutting out management layers so that 150 people are only one level away from the chairman's office, and tilting the bank towards a regional structure, not one based on global product lines. It is clearly these practical issues that most excite him. His predecessors had the 'Big Idea', he says. "My challenge is an execution challenge – not cutting people's heads off but making things happen," he says.

He must do so against the background of an industry that may drastically change its shape from the pattern set in the 1930s. That period created the pure investment banks – the Goldmans, Salomons, Morgan Stanleys, which still dominate global investment banking.

Will there be any pure investment banks in five years time? Mr Warner answers with a single word: "No". Then: "They may be independent, but they will be in the commercial banking business, maybe in the insurance business, maybe in the technology business. I don't see anybody in the wholesale sector operating on the 1995 model indefinitely – with the possible exception of J.P. Morgan."

· OBSERVER ·

Trade man trades places

■ It's a tolerably safe bet that no foreign diplomat has seen more of Britain than Roy MacLaren, who was yesterday named as Canada's next high commissioner in London.

Moving to the UK at this stage was probably not MacLaren's first choice. Ottawa's indefatigable and widely respected international trade minister for the past two and a half years, he had apparently hoped to continue in that job for some time. But he made the elementary mistake of being honest with his boss.

MacLaren, 62, let it be known that he would not be standing in the next general election. Prime minister Jean Chrétien unexpectedly then turned around and suggested that MacLaren leave sooner rather than later as part of an extensive cabinet shuffle. His replacement in the trade portfolio is Arthur Eggleton, a former mayor of Toronto who has little international experience.

But MacLaren should not be too disappointed. He is at least something of an anglophile, ever since his days at Cambridge in the 1960s. His trim frame – usually encased in a waistcoat – is testament to his fondness for cycling and hiking. In 1986, he and his son Malcolm completed a 51-day hike from Land's End to John O'Groats. Don't be surprised, then, to see the new high commissioner occasionally eschewing his limousine in favour of pedal power.

Champ dump

■ Puerto Rico, the US possession which can never make its mind up whether it wants to become a state of the Union, stands out for one thing. It produces more garbage per capita than the United States or the European Union.

Its output of 2kg per person a day compares with 1.9kg in the US, and 1.1kg in Europe. At current rates the dump in San Juan, the capital, will overflow within two years. To save the dump from overflowing the government has started educating people on the need to recycle garbage.

But the price of success could be high. Puerto Rico could lose its title as the world's garbage champ.

Fortefied

■ Doubts may be growing about Sir Rocco Forte's bid to buy back the plum bit of his family's hotel empire, but one member of the family is determined to keep the Forte name going.

Alfred Forte, a cousin of Sir Rocco Forte, owns a 56-seat ice-cream parlour and snack bar in Berwick-upon-Tweed. "The business provides a good living but is very humble compared to the empire Charles created", says Alfred.

The business was set up by his father, Carlo Forte, and Alfred's son Remo now runs it.

Lord Forte, in his memoirs, recounts the tale of how another Carlo Forte used to run a café in Worthing. According to Lord Forte "he was extremely pleasant and hard-working, if not the greatest businessman."

Lord Forte used to help him out with his creditors. One day Carlo introduced Charles to one of his friends, Eric Hartwell, a travelling salesman.

Hartwell was thinking of investing £1,000 in Carlo's Worthing café. Charles Forte had other ideas. "I suggested to Carlo that this would be unwise and made a counter-proposal: I would give them both a job in a new milk bar I was about to start up. ...". From that chance encounter the Forte empire grew up.

Tea in China?

■ British prime minister John Major's visit to Bangkok early next month for a meeting of European Union and Asian leaders has sparked plenty of chatter about whether he will meet up with Jiang Zemin, China's president, and even possibly go on to visit Beijing.

It would be odd if Major didn't sit down with Jiang in Bangkok to review progress on Hong Kong's transfer to China, an event less than 18 months away.

However, it would be very surprising indeed if Major went on to Beijing. After all, the scars from his last outing in the Chinese capital, in September 1991, have barely healed.

Major was the first western leader to visit China after the June 1989 Tiananmen massacre. At the urging of Sir Percy Cradock, his then China adviser, he went to sign a public works agreement about Hong Kong's new airport with Premier Li Peng.

China backed away from the deal as soon as the ink was dry. Major was infuriated.

In the search for a governor who could best represent British interests he appointed Chris Patten – from whom he has a long-standing invitation to visit Hong Kong. Now that he just might do.

Down the pan

■ The US authorities have decreed that olestra, Procter & Gamble's new fat substitute, can go on the market provided it carries the warning that it may cause "abdominal cramping and loose stools".

P&G, one of the world's leading suppliers of adult incontinence products, will presumably be hoping for some corresponding additional movement in those sales figures too.

The Financial Times 50 years ago

Bretton Woods opposed
A strong section of the Australian Cabinet is attempting to persuade the Government to refuse to sign the Bretton Woods agreement, it is authoritatively learned here. Consideration of the agreement was deferred after an attempt by Mr. J.R. Chifley, Prime Minister, and Dr. H.V. Evatt, Minister for External Affairs, to obtain its endorsement was defeated in the Cabinet by ten votes to seven. The main argument against the agreement is that it permits international interference in Australia's domestic policy and living standards.

Steel control in Canada again
The re-establishment of the Canadian Steel Control with powers equalling those of war time was announced to-day by Mr Howe to meet the emergency created by the American steel strike. Mr. Howe said that, if the strike was prolonged, the effect on Canada would be disastrous. One month's stoppage would virtually paralyse the Canadian economy, causing widespread unemployment.

No Finance Minister in France
Difficulties in finding someone in France willing to take the post of Finance Minister delayed Cabinet making to-night and left France without a Government one week after General Charles de Gaulle's resignation.

FINANCIAL TIMES
Friday January 26 1996

Major seeks to reassure Dublin over election plan

Ulster convention best hope of all-party talks, says British PM

By John Kampfner in London and John Murray Brown in Belfast

Mr John Major last night sought to reassure the Irish government that his plans for elections to an Ulster convention were not intended to sideline Dublin.

Nationalist politicians rounded on the UK prime minister following his announcement to the House of Commons that elections provided the best remaining hope of delivering all-party talks.

However, it emerged that some ministers had earlier in the week been considering a softer formula to respond to the report of former US senator George Mitchell's international commission.

One idea discussed in government was to offer Sinn Féin three options: to begin immediate decommissioning of IRA weapons, in line with the longstanding British demand; to agree to elections; or to agree to the principles set down by Mr Mitchell as a demonstration of democratic intent.

It was made clear by several present at a meeting of the cabinet's Northern Ireland's sub-committee on Tuesday that such an option would let Sinn Féin off the hook and would infuriate unionist parties and a large number of Tory MPs. With a harder line agreed, Mr Major then made clear to the Commons on Wednesday that Mr Mitchell's "six commitments" would not suffice.

Irish irritation at the prime minister's announcement was compounded by what they alleged was his failure to inform his Irish counterpart, Mr John Bruton, of his full intentions during a telephone conversation on Tuesday night. British officials disputed that interpretation, saying Mr Major had informed Mr Bruton of his intentions.

Relations between the two leaders have been one of the linchpins of the peace process, but Mr Bruton yesterday made his annoyance plain. "We cannot have any unilateral decision on a matter of this nature," he said.

In a letter to Mr Bruton last night, Mr Major outlined the thinking behind his election plan and urged continued co-operation on getting talks started.

Mr Major said he had no intention of creating an assembly similar to those at Stormont in the 1970s and 1980s which collapsed along sectarian lines. He stressed that the body would serve purely as a forum for formal negotiations on a constitutional settlement for Northern Ireland.

Mr Major told the Commons he was still prepared to call all-party talks by the end of February, as agreed several months ago with the Irish government, as long as Sinn Féin abided by his original demand that the IRA give up some arms. Mr Dick Spring, the Irish deputy prime minister, told parliament in Dublin that the British idea was a "delaying factor" designed to keep Sinn Féin out of all-party talks.

He called for an urgent meeting next week with Sir Patrick Mayhew, Northern Ireland secretary. For all the rhetoric, however, neither the Social Democratic and Labour party, which has reacted most angrily to the election idea, nor Sinn Féin have ruled it out.

UK central banker calls for standard rules on settlement

By John Gapper in London

A leading international banking supervisor yesterday called for regulators to establish minimum standards for national payment and settlement systems to prevent a catastrophic failure of the global financial system.

Mr Brian Quinn, executive director for banking supervision at the Bank of England, said the collapse of the UK merchant bank, Barings, last February had demonstrated weaknesses in co-operation between supervisors and regulators.

Mr Quinn, echoing concerns expressed by other international supervisors that the failure of a national stock market or futures exchange could cause a ripple across global markets, called for an initiative to reduce these risks.

Supervisors are concerned that shocks such as the failure of the US investment bank, Drexel Burnham Lambert, the Bank of Credit and Commerce International, and Barings, could set off such a chain reaction across the world.

Mr Quinn said Barings' collapse from £860m of derivatives losses accumulated by Mr Nick Leeson, a trader, had posed a threat not only to the Simex futures exchange in Singapore, but to the clearing of European Currency Units.

"The harsh reality is the web of financial transactions has expanded enormously in recent years ... the next Barings, perish the thought, might not work out with such limited damage," he told a New York symposium organised by Goldman Sachs, the investment bank.

His speech marked the first time that a banking supervisor has gone beyond a general call for more co-operation between the national regulators of payment systems to suggest a laying down of firm standards to be met by exchanges.

Mr Quinn said that just as banking supervisors within the Basle committee had established international standards for capital for individual banks, regulators of exchanges and settlement institutions should agree rules.

He said that he was not calling for exchanges to operate in the same way, but there was a need for them to meet common requirements. He said these requirements should probably cover questions including which institutions were allowed access to payment systems, as well as the financial soundness and liquidity requirements of exchanges and payment systems.

A debate should also cover questions of an exchange's collateral requirements – how much cash a member is required to deposit as safe-keeping – and what arrangements members have for sharing losses.

Congress drafts bill to avert shutdown

Continued from Page 1

House speaker, has called a "down-payment" towards a balanced budget.

However, Mr McCurry yesterday urged Republicans not to "wave the white flag" on the balanced budget, saying the White House was reluctant to postpone the goal of balancing the federal budget until after the poll.

The White House also opposed the proposal to link such a deal to an extension of the federal debt ceiling, the government's borrowing authority. Mr Gingrich has said the linkage was necessary to guarantee support from radical Republicans.

Mr Robert Rubin, the Treasury secretary, said yesterday he was "absolutely confident" that the US would not default, adding that Moody's announcement might make a default easier to avoid. "In a sense it was a constructive move because it helped continue this process of focusing people on getting this problem solved," he said.

Mr Leon Panetta, the White House chief of staff, yesterday called on Congress to enact a debt limit extension, without attached conditions, for a year, and to extend the government's borrowing authority from $4,900bn now to $5,500bn.

Bali dry as brewers protest at new tax on beer

By Manuela Saragosa in Jakarta

Indonesian brewers have stopped supplying beer to Bali, the country's prime tourist destination, in protest against a new tax on beer levied by a company understood to be controlled by President Suharto's grandson.

The brewers are outraged at a decision by Mr Ida Bagus Oka, Bali's governor, to allow the Arbamas company to charge and collect an additional regional tax on alcohol through a system of compulsory labelling. Arbamas is widely believed to be owned by Mr Ari Sigit, the son of President Suharto's eldest son.

Under the scheme, beer bottles not bearing stickers which producers must buy from Arbamas are considered illegal. The Indonesian drinks industry association said the Rp400 (18 US cents) tax per beer bottle charged by Arbamas is 200 per cent higher than the existing regional tax.

Alcohol imports and sales are already subject to strict controls and hefty taxes in Indonesia, which has a predominantly Moslem population.

Only two state companies are permitted to import liquor, which is subject to duties of between 40 and 170 per cent, in addition to a 35 per cent luxury sales tax, a 10 per cent value added tax and other excise taxes.

Locally brewed beer is subject to both the luxury sales and value added taxes and to a Rp650 a litre excise duty. A 620ml bottle of local beer costs between Rp4,000 and Rp8,000, depending on where it is bought.

Supplies to Bali have been withheld for 10 days in a move that could leave thousands of holidaymakers dry. "Recently, the army units in Bali seized 100 crates of our beer which did not bear Arbamas stickers," said Mr Rubian Harahab, spokesman for the association and an official at Delta Jakarta, brewer of the high-selling Anker beer.

In a rare confrontation with both government authorities and the presidential family, the association questioned the legitimacy of the scheme and its effects on the investment climate in the country.

It also warned that since tourists are the largest consumers of beer in Bali, the tax threatens to have a negative effect on the development of tourism on the island. The popular beach resort of Kuta, for example, has all-night pub crawls catering almost exclusively to foreign tourists.

Arbamas had positioned itself early last year to implement a similar scheme on a nationwide scale but its attempts were believed to have been thwarted following objections by Indonesian brewers. At the time, Arbamas officials said the scheme was designed to protect the young from the effects of alcohol.

THE LEX COLUMN

Trouble hits Toytown

The rationale for merging Toytown's two largest players is sufficiently compelling that even the aggrieved defender, Hasbro, makes little attempt to deny it. There are $100m of projected savings from eliminating central overheads and distribution overlap, and combining marketing expenditure. And this looks conservative. In addition, Mattel is generating more cash flow than it knows what to do with. This cash could generate substantial returns at Hasbro, which has a portfolio of strong but poorly-performing brands. The benefits of merging toy makers have already been demonstrated by Mattel's $1.1bn takeover of Fisher-Price in 1993.

Nonetheless, it could be a vicious battle. Hasbro is playing the anti-competitive card to retain its independence, and it will gain enthusiastic backing from US retailers. They have a point. The combined group would control 28 per cent of the traditional toy market in the US. However, Mattel and Hasbro are focused on different market segments. And the Scott Paper and Kimberly Clark merger demonstrates that a little restructuring can be enough to calm the regulators.

This puts Hasbro in an awkward position. Its long-suffering shareholders saw a 35 per cent rise in their investment yesterday; this will disappear if the management rebuffs Mattel's approach. Hasbro should submit to commercial reality and try to facilitate a deal. After all, the price of failure is a $100m termination fee – which is more than half Hasbro's forecast net profits for 1995.

FT-SE Eurotrack 200: 1651.49 (+4.87)

US toy makers

Share prices (rebased)

Source: FT Extel

Termination fees

Mattel's $5.2bn bid for Hasbro contains a nice fat bribe. The toymaker is trying to bounce its reluctant rival into an agreed merger by offering it $100m in compensation if the deal is subsequently blocked by the authorities. Such termination fees are increasingly common in the US. First Bank System has just walked away with $200m after its white knight bid for First Interstate was trumped by Wells Fargo.

At first sight, these payments looks like a huge waste of shareholders' money. But there is some logic to them. Mattel is clearly hoping to avoid a long drawn-out bid battle with Hasbro and gambling that if the two present a united front they can get regulatory approval. Since the resultant savings would be huge, it may well be worth risking $100m. First Interstate's case is even clearer. By promising to pay a white knight $200m, it forced Wells Fargo to raise its offer by almost $1bn. If they encourage a bid that would not take place otherwise, or persuade a white knight to come forward and make a higher offer, termination fees are a good idea. But the payment should not be so large that it turns into a poison pill.

Termination fees are unlikely to spread to Europe, however. Under UK takeover rules, they would need prior shareholder approval – difficult to arrange within the strictures of the bid timetable. Takeover codes elsewhere in Europe have not even considered the issue. But this is the sort of practice that could be usefully exported across the Atlantic.

Amex/Visa

Should a bank that is the member of one credit card company be allowed to issue cards for a rival organisation? That is the nub of the spat between Visa and American Express, which went to the European Commission this week. Amex, which is struggling to gain greater penetration for its cards in Europe, wants to use banks as distributors. Visa, which dominates the European card market, is thinking of banning its bank members from issuing Amex cards. Since banks are the obvious distribution channel for cards, and since almost every bank of note belongs to Visa, such a proposal looks blatantly anti-competitive.

Visa's main counter-argument – that Amex is trying to gain a "free ride" on its investment – does not hold water. Amex is not trying to use the Visa brand name; nor is it trying to plug into Visa's computer systems. True, Amex believes banks would be well-placed to sign up customers and merchants because they have already made an investment in the card business. But that investment in relationships has been incurred by banks individually rather than by Visa collectively.

Visa's other argument – that banning its members from issuing Amex cards may be needed to preserve the intense rivalry between the two card networks – is equally weak. It is hard to see why competition would be eroded if a bank issued both Visa and Amex cards. Visa will have to come up with better arguments if it is to convince the Commission that its real intent is not to curb competition.

UK pensions

Pension provision for the next century may not be much of a vote winner but the Labour party is right to focus on it. The City of London should too. The pensions crunch facing the British economy may be less severe than elsewhere in Europe but its scale is still staggering. The current generation is trapped. It will have to save more, because the value of state pensions has been sharply cut back. But this will not stop it facing a huge tax bill to pay for the rights of existing state pensioners: the cost is set to rise, in 1994/5 prices, from £36bn a year to £54bn a year by 2030 – roughly equivalent to a 9 per cent increase in income tax.

The outcome is inevitable: sooner rather than later, many people are going to have to put more aside for their retirement. Pressure is growing for some form of compulsory savings regime, along the lines advocated by Mr Frank Field. The current government has ideological problems with this – but the next one may well not.

For the City, this is not a problem but an opportunity. A big new market is at stake. At present, pensions business is becalmed: occupational pension membership is at best static, and personal pension sales have been hit by the misselling débâcle. The latter, though, looks a short term phenomenon – which is good for life assurers. Meanwhile, if they play their cards right, fund managers could one day end up running a new government-sponsored fund for low earners. They should lobby hard to do so.

Additional Lex comment on UK premium bonds, Page 17

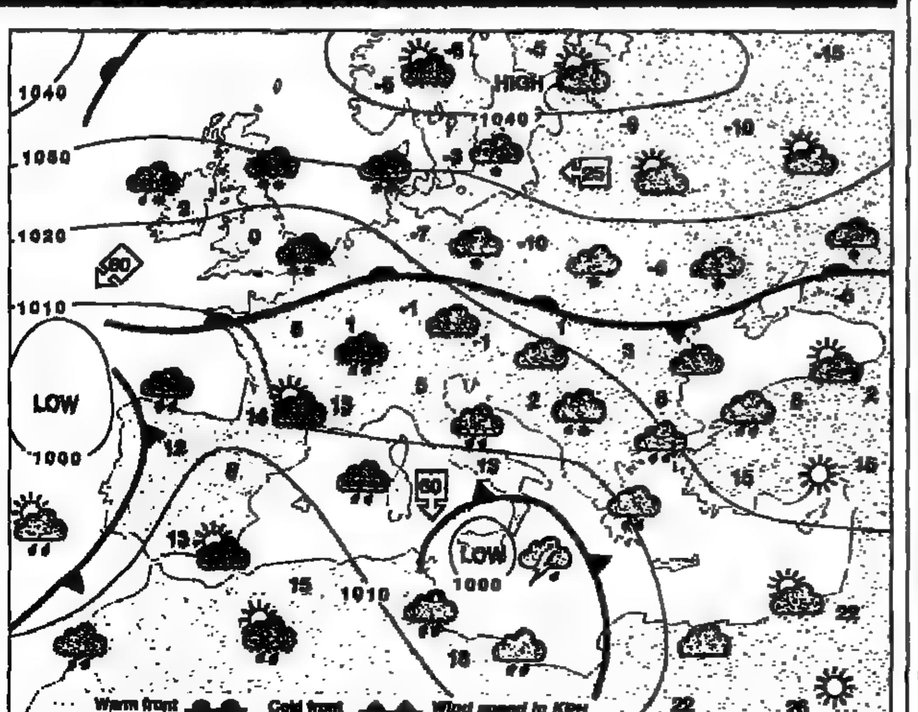
FT WEATHER GUIDE

Europe today

Southern Scandinavia will be cloudy with continuous light snow and a fresh easterly breeze. Western Norway and southern Finland will be sunny but cold. The British Isles will have snow or sleet with strong breezes along eastern coasts but areas west of the mountain ranges will be dry with a few breaks. Germany and the Benelux will be cloudy with occasional snow and northern France may have freezing rain. Rain is expected over western France and the Iberian Peninsula. Central France and north-eastern Spain will be rather sunny. Rain and snow will fall over the western Alps. Southern Italy and Greece will have heavy showers and thunder storms. The southern Balkans will be cloudy with patchy rain. Most other areas in eastern Europe will be cloudy with snow flurries, but a few breaks are expected over Russia .

Five-day forecast

North-eastern Europe will remain cold with patches of light snow but some sunny periods. South-western Europe will be mild and unsettled with rain over Spain and Portugal. Showers moving eastwards will continue to affect the Mediterranean.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	21
Accra	fair	33
Algiers	fair	17
Amsterdam	snow	-5
Athens	shower	15
Atlanta	rain	11
B. Aires	sun	33
B.ham	cloudy	-1
Bangkok	fair	34
Barcelona	fair	12
Beijing	sun	3
Belfast	sleet	1
Belgrade	cloudy	3
Berlin	cloudy	-7
Bermuda	shower	20
Bogota	cloudy	21
Bombay	sun	32
Brussels	snow	-1
Budapest	cloudy	0
C.hagen	snow	-3
Cairo	fair	21
Cape Town	fair	24
Caracas	fair	30
Cardiff	cloudy	0
Casablanca	shower	15
Chicago	snow	-3
Cologne	snow	-2
Dakar	fair	24
Dallas	sun	14
Delhi	sun	16
Dubai	sun	21
Dublin	sleet	2
Dubrovnik	rain	10
Edinburgh	sleet	2
Faro	rain	14
Frankfurt	snow	0
Geneva	cloudy	6
Gibraltar	rain	13
Glasgow	cloudy	3
Hamburg	snow	-6
Helsinki	fair	-9
Hong Kong	cloudy	17
Honolulu	fair	26
Istanbul	cloudy	10
Jakarta	rain	30
Jersey	rain	5
Karachi	fair	25
Kuwait	sun	18
L. Angeles	sun	17
Las Palmas	shower	22
Lima	fair	27
Lisbon	rain	13
London	snow	-1
Lux.bourg	snow	0
Lyon	cloudy	6
Madeira	shower	18
Madrid	cloudy	9
Majorca	fair	15
Malta	thund	15
Manchester	cloudy	0
Manila	cloudy	31
Melbourne	shower	24
Mexico City	sun	22
Miami	sun	27
Milan	rain	5
Montreal	cloudy	-5
Moscow	cloudy	-9
Munich	cloudy	-1
Nairobi	shower	28
Naples	shower	16
Nassau	sun	26
New York	fair	4
Nice	rain	10
Nicosia	fair	13
Oslo	snow	-4
Paris	cloudy	5
Perth	fair	29
Prague	cloudy	-4
Rangoon	fair	32
Reykjavik	fair	0
Rio	cloudy	32
Rome	cloudy	14
S. Frsco	fair	16
Seoul	fair	0
Singapore	rain	31
Stockholm	snow	-3
Strasbourg	cloudy	1
Sydney	fair	26
Tangier	shower	15
Tel Aviv	fair	20
Tokyo	fair	7
Toronto	snow	0
Vancouver	rain	[illegible]
Venice	cloudy	[illegible]
Vienna	cloudy	-3
Warsaw	snow	-11
Washington	cloudy	4
Wellington	cloudy	16
Winnipeg	fair	-17
Zurich	snow	0

FINANCIAL TIMES
COMPANIES & MARKETS

Friday January 26 1996

IN BRIEF

Damages burden threatens Loewen

Loewen Group, one of North America's biggest funeral home operators, has warned that it may be forced to file for bankruptcy protection following a big civil damages award last autumn by a Mississippi jury. Loewen's shares lost almost a third of their value in early trading on the Toronto stock exchange. Page 16

Outokumpu falls on profit disappointment
Shares in Outokumpu fell heavily after the Finnish mining and metals group reported much lower than expected profits in the final four months of 1995. The group blamed the setback on asset write-downs and inventory losses caused by a weaker stainless steel market. Page 14

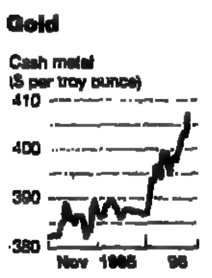
Japanese brewers feel the draught
After swamping the world with electronic gadgets and cars, will Japan now flood it with beer? The country's leading beer companies hope so. Faced with increasing pressure in the domestic market, they are pumping up their overseas operations. Page 15

Price falls hold back US Steel in final term
The steady decline in steel prices in the US in the second half of 1995 ate into the profits of US Steel in the final three months of the year, reversing the earnings growth of earlier quarters. Page 16

UK government sells last BAA holding
The government raised about £145m ($223m) from the sale of its residual 2.9 per cent stake in BAA, the UK's largest airports operator. Page 17

Chicago exchanges to resume talks on link
Chicago's futures exchanges, the Chicago Board of Trade and the Chicago Mercantile Exchange, are to examine the potential "for common initiatives, including a possible merger", following a meeting this week between senior executives at the two markets. The move revives an idea which appeared to fall out of favour earlier this month. Page 26

Traders caught short as gold hits $407



Gold's price jumped conclusively through $404 a troy ounce to close in London at $407, up $4.10 an ounce. Traders were taken by surprise by the upward movement as many expected the price of gold to fall and went short – or sold gold they did not own in the expectation of buying it at a lower price and pocketing the difference. The price rise also sparked further buying by US hedge funds. Page 25

Polish shares jump after PM's resignation
In Warsaw, shares rose sharply after the announcement of the resignation of Mr Jozef Oleksy, prime minister. The Wig index rose nearly 5 per cent to 9,716.7 as turnover expanded from 38.9m zlotys to 177.3m zlotys. Back Page

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Asko Pf	740	+	25
Beiersdorf	1068	+	14
GEHE	750	+	10
Henkel	581	+	10
Falls			
Goldschmidt	570	–	20
Sud Chemie	545	–	10
NEW YORK ($)			
Rises			
Compuserv	34¾	+	2¼
Duracell	48¾	+	2¼
Kmega	50¾	+	4¾
Time Warner	39	+	7½
Falls			
Kroger	34⅛	–	2⅛
Proctor & Gmble	85¾	–	2⅜
LONDON (Pence)			
Rises			
Cantab Pharm	530	+	85
Cortecs	270	+	33
ML Labs	457	+	46
Falls			
Holliday Chem	119	–	45
Standard Chtd	636	–	20½
Yorkshire Chem	258	–	22
TORONTO (C$)			
Rises			
Bovall	33	+	1½
Franco-Nevada	86	+	2¼
Motrowerks	17½	+	1⅛
Tel-Comm	12¼	+	1⅛
Falls			
E-L Fin	85	–	3
Loewen	22¼	–	10¾
PARIS (FFr)			
Rises			
Docks de France	841	+	11
Euro RSCG	464.5	+	31.5
Falls			
Ecco	850	–	17
Imetal	660	–	15
Seb SA	650	–	17
Usinor	490	–	13
TOKYO (Yen)			
Rises			
Fuji Bank	2330	+	40
Ind Bk of Japan	2960	+	60
Kyokuyo	694	+	100
TDK	5300	+	100
Toshiba	830	+	10
Falls			
Sumitomo Metal	1010	–	20
HONG KONG (HK$)			
Rises			
Cheung Kong	56.25	+	1.5
Great Eagle	23.4	+	1.0
HSBC	126	+	2.0
Henderson Land	58	+	1.5
Sun Hung Kai	68.75	+	2.7
Falls			
Shangri-La Asia	10.3	–	0.4
BANGKOK (Baht)			
Rises			
Bangkok Agro	152	+	12
Mutual Fund	576	+	34
Thai Danu Bk	155	+	14
Union Bk	112	+	9
United Motor	109	+	7
Falls			
Int Cosmetics	216	–	14

New York & Toronto prices at 12.30.

Demand for Repsol exceeds offer

By David White in Madrid and Antonia Sharpe in London

Strong demand from Spanish investors means that the retail tranche of the forthcoming $1bn-plus offer of shares in the Repsol oil, gas and chemicals group is already heavily oversubscribed before the official opening next Tuesday, the company said yesterday.

Purchase orders for the privatisation issue exceeded Pta262bn ($2.1bn), or more than four times the amount on offer to retail investors, according to provisional data received by Sepi, the state industrial holding unit.

The period for applications began on January 17, with half the 33m shares on offer reserved for the Spanish retail tranche. The public share offer will be open from Tuesday to Friday inclusive, following the fixing of a maximum issue price next Monday.

Bankers said the tranches for domestic and international institutional investors, totalling 12.5m shares, were also oversubscribed. The scale of the demand globally for Repsol shares meant that it was highly likely that the "greenshoe" or over-allotment option of 4m shares would be exercised.

It is believed that the initial underwriting sizes are as follows: 2m shares for Spanish institutions; 5.3m shares for US institutions; 3m shares for the UK; 1.7m shares for continental Europe; and 500,000 for the rest of the world.

The final price for the retail and institutional tranches will be set after the close of trading in New York on February 5.

The operation, the second Repsol privatisation issue in less than a year, is expected to raise about Pta130bn and leave the government with a 10 per cent stake in the group, compared with 21 per cent at present.

Repsol described the demand estimates, which showed that 195,000 investors had placed purchase orders, as "highly satisfactory". Institutional presentations in the US are due to begin next week.

Repeating a successful formula used last year, individual purchasers are being offered a 4 per cent discount on the shares, with a possible rebate of up to 10 per cent if they retain them for a year and the share price falls during this period. The offer is subject to a minimum investment of Pta50,000 and a maximum of Pta10m.

Provisional estimates show a 21.6 per cent increase in Repsol's consolidated net profit last year to Pta117.7bn.

The next candidate in the Spanish privatisation programme is expected to be Argentaria, the banking group. The government, which last November decided to halve its 50 per cent stake in Argentaria, has asked 21 banks to submit their bids by the end of the month. However, the proximity of the general elections in March and Argentaria's weak share price could delay the sale.

Hyundai plans to double car output in 5 years

By John Burton in Seoul

Hyundai Motor, South Korea's largest car company, plans to double production to 2.4m vehicles by 2000 and increase annual sales to $26bn, Mr Chung Mong-gyu, the company's new chairman, said yesterday.

The programme to make Hyundai one of the world's 10 biggest carmakers within five years comes amid growing concerns that Korea's car industry is heading for excess capacity.

Rival vehicle groups Kia and Daewoo Motor have also committed themselves to producing at least 2m vehicles a year each by the end of the decade. About 1m of Daewoo Motor's output will emerge from a network of car and truck plants being created outside Korea, in locations ranging from eastern Europe to east Asia.

Earlier this week Daewoo Motor, part of Korea's third largest industrial group, projected a fivefold net profits increase for 1995 to Won10bn ($13m).

Hyundai plans to produce 1.9m vehicles in Korea and another 500,000 abroad, including output in Turkey and proposed plants in eastern Europe, India and Vietnam. The expansion of manufacturing facilities is expected to cost Won2,500bn.

Mr Chung estimated that Hyundai would account for 4 per cent of total world car production by the end of the decade. Sales would be split evenly between Korea and overseas markets.

Hyundai plans to spend Won4,500bn on research over the next five years to develop technology and double the number of its basic car models to 10, including a mini-car, a deluxe sedan and a sports utility vehicle.

Sales for Hyundai in 1995 amounted to Won10,300bn, with 730,000 vehicles sold in Korea and 500,000 abroad.

Analysts predict that Hyundai's rapid expansion will contribute to a threatened production glut for the Korean car industry.

Korean carmakers' plans to double production to at least 6m vehicles by 2000 come in spite of slow growth in the domestic market, which accounts for 60 per cent of their total sales. Ssangyong, the country's fourth vehicle maker and Samsung, the electronics group, are also moving into vehicle production. Although Korean carmakers hope increased sales abroad will support higher production, concerns remain that excess capacity could lead to shrinking profits and industry consolidation.

Market potential for a no-calorie fat substitute appears promising

Procter argues you can have cake and eat it

It sounds too good to be true: fat you can eat without putting on weight. So has Procter & Gamble, the US consumer products group, come up with a miracle in the form of its zero-calorie fat substitute, olestra?

After nearly nine years of waiting, Procter & Gamble this week won clearance from the US Food and Drug Administration (FDA) to put olestra on the market under the brand name Olean. It will use it in its own products and sell it to other food companies that want to use it instead of fat.

There have been many previous attempts to replicate fat with other, less calorific substances based on carbohydrates or protein. But none of these products successfully replicates the taste of fat, and they cannot be used for frying.

Olestra is different because it is fat-based. Made from a combination of sugar and vegetable oil, it looks, cooks and tastes just like fat: but because of its molecular construction, it passes through the body without being digested or absorbed, so it adds no calories to the diet.

> Procter & Gamble has spent more than $200m developing olestra over the last three decades

Over the last three decades, Procter & Gamble has spent more than $200m developing olestra. In 1987, the company applied to the FDA for permission to use it in the manufacture of savoury snacks as a first step towards its introduction in other foods.

Like most miracle products, olestra proved to have some drawbacks. Scientists discovered that it scooped up and swept away several essential vitamins from the body, preventing them from being absorbed. Embarrassingly, studies showed that it could also have a laxative effect, causing flatulence and "faecal urgency", among other things.

However the FDA, charged with determing a "reasonable certainty of no harm" from the proposed use, decided that the laxative effects were not harmful and Procter & Gamble undertook to counter the vitamin-scooping effect by adding extra vitamins.

Now FDA approval has been won, Procter & Gamble plans to test market olestra versions of its Pringles potato chips in the US this year, and will start selling the product to other US savoury snack manufacturers.

Within hours of the FDA clearance, PepsiCo's Frito-Lay subsidiary said it would start test marketing salty snacks made with olestra.

On the face of it, the potential for olestra looks promising. The worldwide market for fat substitutes is thought to be worth about $1bn a year, mostly in the US.

About a third of the US population is obese, according to official figures, and olestra has the potential to do what no other fat substitute has yet achieved: deliver fewer calories without compromising on taste.

On the other hand, the FDA has decreed that products containing olestra will have to carry an information label cautioning that olestra "may cause abdominal cramping and loose stools" – a wording that seems unlikely to encourage sales.

More significantly, the approval given by the FDA applies only to the relatively narrow US market for salty snacks such as potato chips, tortilla chips and crackers. The application process will have to start all over again if Procter & Gamble wishes to extend the use of olestra to other products.

Mr John McMillin, a food industry analyst at Prudential Securities Research, said: "The good news is that you can have your cake and eat it too. The bad news is that you can only use olestra for salty snacks and crackers: the FDA has very narrowly defined it.

"If it gets limited to these categories for ever, Procter & Gamble will probably get a return on its investment. But I think the real issue is whether, after going a couple of years with salty snacks, there is a possibility of opening it up to more categories."

Outside the US, the UK and Canada are the only countries in which Procter & Gamble has yet sought permission to use olestra. The company expects the UK Ministry of Agriculture to note the US approval but to take its time making up its own mind.

Within Europe, the British are the right consumers to target because they eat far more salty snacks than other Europeans. But their consumption is still only half the 22 pounds of salty snacks eaten each year by the average US adult. With fat less of an obsession for Europeans, olestra therefore loses some of its allure.

According to Leatherhead, a UK food research agency, the UK market for fat-reduced foods is only £2bn ($3bn) a year, or only £600m excluding milk, compared with £25bn in the US. The market for substitute fat ingredients is only £10m-£20m a year in the UK, Germany, France, Italy and Spain, it says.

A number of large food companies including Unilever, the Anglo-Dutch consumer products group, are researching the same chemistry that Procter & Gamble uses for olestra, gathering patents along the way. "It is a new technology we can't ignore," Unilever said.

Food companies are also continuing to seek alternative methods of achieving fat-free foods – for example, baking rather than frying potatoes to get fat-free crisps.

A low-tech route has merits over olestra, one UK crisp maker says.

"The warnings on packets of olestra-fried chips don't sit too well with the innocent pleasures of snack foods. The side-effects present a formidable marketing challenge."

Results, Page 16

Richard Tomkins and Roderick Oram

Boeing improves 39% in final term

By Christopher Parkes in Los Angeles

Reduced income tax charges, caused by the recent 10-week strike by Boeing engineers, helped generate a 39 per cent surge in fourth-quarter net profits at the US aerospace group.

Income for the period was $218m, compared with $157m in the same period last year, on sales of $4.5bn, down from $5.1bn last time. Earnings per share rose to 63 cents from 46 cents, the company announced yesterday.

But the effects of the stoppage, which delayed delivery of about 30 airliners, could not cancel out the impact of an earlier $600m restructuring charge and full-year net earnings fell 54 per cent to $393m, from $856m in 1994.

Even excluding special retirement charges, net income fell to $783m on total revenues down from $21.9bn to $19.5bn. The sale decline occurred in the commercial aircraft divisions. Defence and space reported sales up 10 per cent at $5.6bn.

Boeing delivered 206 commercial jet aircraft in 1995, 64 fewer than in 1994, and said it expected to finish about 215 this year, when, despite growing demand, the market would remain "extremely competitive".

Production rates were expected to increase to pre-strike levels during the current quarter and group revenues were likely to recover to about $22bn – little changed from 1994.

A $400m reduction to $1.3bn in research and development budgets last year – a similar figure is expected in 1996 – helped bolster the bottom line.

Mr Frank Schrontz, chairman and chief executive, said continued growth in world passenger traffic and improving load factors had been very encouraging.

As announced earlier, Boeing won about two-thirds of the world market for commercial jet airliners last year, leaving Europe's Airbus consortium in second place with 15 per cent. Continuation of this trend depended on sustained growth of passenger traffic at profitable yields, Mr Schrontz said.

Confirming the industry's continuing recovery from slump – and 1994's dip when total world orders tumbled to their lowest level in 10 years – Boeing said it took orders last year for 346 aircraft, worth $31.24bn. However, only 12 per cent were destined for the still-sluggish US market.

US airline results, Page 16

UK government rejects levy on transportation of gas

By Robert Corzine and Stefan Wagstyl in London

The UK government yesterday drew back from direct involvement in the dispute between British Gas and North Sea gas producers over £40bn ($60.4bn) of long-term contracts.

In a setback to British Gas's efforts to orchestrate an industry-wide solution to the contracts problem, the government decided against seeking authority to impose a levy on all gas transported in the country.

Many of the suggestions by British Gas and producers to resolve the issue of high-priced contracts depended on the introduction of some form of levy.

Sir Ian Lang, trade and industry secretary, said imposing the levy would not have been in the interests of consumers and protecting consumers' interests was the government's objective. In an interview, he denied that political considerations played any part in the decision. Announcing the decision, Mr Tim Eggar, the energy minister, cited "...encouraging signs of progress in discussions between British Gas and gas producers".

But British Gas last night said negotiations were only at "a very preliminary stage". It said powers to introduce a levy would have been "a sensible and prudent insurance policy" in case the proposed renegotiations failed to solve the issue. A levy was seen by British Gas and some producers as a way of spreading the costs of the high-priced long-term contracts, which British Gas says are a legacy of the monopoly era and place it at a competitive disadvantage in the run-up to full gas market competition in 1998.

It pays an average of 19p-20p a therm for gas, compared with a current spot price of below 10p a therm and a longer term market price of around 15p.

Over the next few years the company is expected to pay producers a cumulative total of £1.5bn for gas which it is contracted to buy but for which it no longer has customers because of falling market share.

Mr Eggar yesterday held out the prospect that the government might review its position. Officials from the DTI said mechanisms other than a levy could be adopted if future government action was needed to secure solutions to the contracts issue.

Fourth-quarter weakness hits Outokumpu

By Christopher Brown-Humes in Stockholm

Shares in Outokumpu fell sharply yesterday after the Finnish mining and metals group reported much lower-than-expected profits in the final four months of 1995.

The group, which is 40 per cent state-owned, blamed the setback on asset write-downs and inventory losses caused by a weaker stainless steel market.

It said its preliminary pre-tax profit for 1995 was FM1.5bn ($331m). Although this is a 45.6 per cent increase on the FM1.03bn profit reported in 1994, it is well below the FM1.7bn to FM1.8bn expected by analysts. After the news the group's shares fell FM4.4, or 6.5 per cent, to FM63.8.

The optimism apparent at the eight-month stage, when the group more than doubled pre-tax profits from FM557m to FM1.32bn, was lacking in its statement yesterday. Profits in the final four months – at about FM180m – were well below last year's FM471m.

One of the main reasons for the decline was the group's decision to write down the value of the proven and probable reserves of its Forrestania nickel mine in Australia by FM160m.

The move, which the market did not expect, follows a recent survey suggesting the mine's nickel content is about 15 per cent lower than an earlier estimate of 4.2m tonnes.

The group also wrote down the book value of its 7 per cent stake in fellow Finnish industrial group Tampella by FM60m to reflect a fall in Tampella's share price.

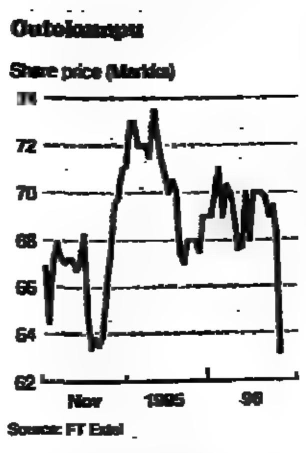
Outokumpu said its result had also been undermined by a marked weakening in the stainless steel market in December, when prices fell by about 10 per cent. The development forced it to cut the value of its metal inventories, resulting in a small inventory loss for the full year after gains of FM52m at the eight-month stage and FM320m in gains for the whole of 1994.

"The drawdown of excessive [stainless steel] stocks, which began on the market during the autumn, continues and prices have fallen," Outokumpu said. But it expected the market to stabilise and demand to pick up again in a few months.

The company said its full-year figures reflected the strong rise in metal prices in the first eight months of the year, greater efficiency, and a small increase in production.

Sales rose only slightly, from FM16.7bn to FM16.8bn – the increase would have been greater without disposals – while operating profits climbed from FM1.05bn to FM1.55bn.

Average copper prices were about 27 per cent higher in 1995 than in 1994 and nickel prices were 29 per cent higher. Prices for stainless steel were also well above last year's.



Eramet chief as good as his word

The French group is set to take control of manganese producer Comilog, writes Kenneth Gooding

When Eramet was floated on the Paris stock exchange in 1994, Mr Yves Rambaud, the French group's chairman and chief executive, made a promise. He said that the cash-rich company, already the world's biggest producer of ferro-nickel and high speed steels, would seek to acquire a third industrial business to round off its operations.

Many observers thought the search was likely to take a long time because of the tough criteria Mr Rambaud had imposed. But he had had his eye on the perfect takeover target for some years.

That target was Comilog, one of the three main producers in the western world of manganese, a material essential in steel making.

Comilog carries out open-pit mining in Gabon, while Eramet mines nickel in the same way in New Caledonia, a South Pacific island. Comilog's processing plants in Belgium, France and the US all use technology familiar to Eramet.

Eramet had to bide its time, however, waiting for some of Comilog's shareholders to be willing to sell. Comilog was owned 30 per cent by the Gabon government, 15 per cent by Gencor, the South African mining group, and 17 per cent by BRGM, the state-owned French mining group, with the rest in the hands of private shareholders and others.

Eramet now hopes to acquire a 47 per cent interest in Comilog along with management control and the right to appoint the chief executive.

No price for such a stake has been officially revealed, but Eramet has indicated it will be about FFr650m ($128.5m), or some six times 1994 cash flow and four times forecast 1995 cash flow. Eramet has also said the price is close to the net worth per share.

The deal is subject to conditions, including a due diligence exercise Eramet is conducting.

Eramet last month bought BRGM's shares in Comilog, in a deal which gave it three directors on the Comilog board. The rest of the stake will be provided by private shareholders.

Eramet can, until June 15 next year, sell back shares to the private shareholders at the same purchase price, if the deal is unacceptable to Eramet. This means the due diligence exercise must be finished before the deadline.

The Gabon government's attitude provided the key to Eramet's approach to Comilog. It apparently wanted Eramet to move in and take management control rather than have Gencor in charge.

Gencor would have been a likely candidate but it has a substantial interest in Samancor, another South African company and one of Comilog's big competitors. Gencor actually had pre-emptive rights, had any of the Comilog shares been offered for sale, but these rights expired in March last year.

Comilog paid large annual dividends until 1991, when it acquired several ferro-alloy plants from Union Minière, the Belgium mining and metals group, and went heavily into debt to pay for these assets.

Mr Rambaud says of this purchase: "The strategy was good – the price was not."

He says Comilog hopes to pay dividends in 1996, a move which would be welcomed by the Gabon government.

Comilog has an open pit mine near Franceville in south-eastern Gabon, about 600km from the nearest port by rail. Nominal mine capacity is 2.5m tonnes a year, but production has passed that level when manganese prices have justified it. Output in 1994 was 1.6m tonnes; in 1995 production it is expected to be about 2m tonnes. Eramet says the mine's reserves would last more than 100 years at the current rate of output.

Other Comilog assets include a ferro-manganese plant in Boulogne, France, with 400,000 tonnes a year capacity but which is now producing about 280,000 tonnes; a silica-manganese plant in Dunkirk, France, with a capacity of 60,000 tonnes and presently producing about 40,000 tonnes; a chemical manganese dioxide plant and a ferro-alloys plant in Belgium; and assets in the US, including a manganese dioxide plant, clay operations and a spent catalyst recovery plant.

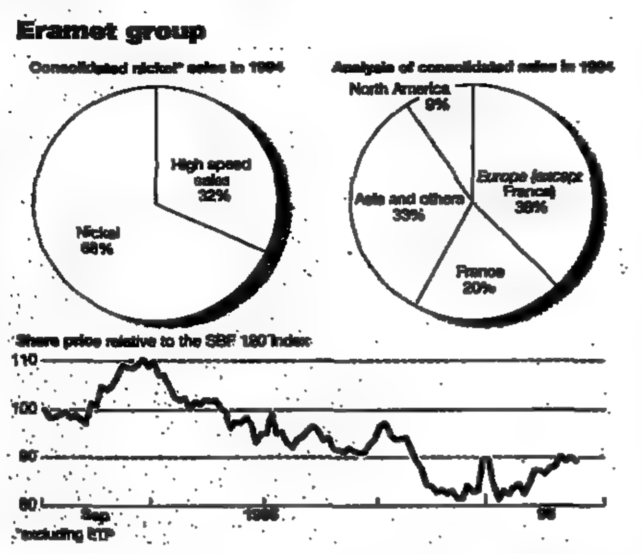
If all goes well with the due diligence exercise, Eramet will pay for its Comilog stake from its own resources.

Mr Rambaud says the Gabon mine will not require any large investment, but Comilog needs to reduce its debt. This stands at about FFr1.45bn, and the clay business and other non-core operations will probably be sold.

"We have potential buyers for these non-core businesses but it is too early to say what they are worth," he says.

Mr Larry Kaplan, analyst at stockbroker Ord Minnett, says: "On the face of it, the Comilog manganese acquisition appears to be a good deal for Eramet." He suggests that, because of Comilog's debts, he would be surprised to see the company consolidated at Eramet group level.

"And we would not expect to see much in the way of Comilog dividend flow-through to Eramet before 1997," he says.



Saint-Gobain net up 16% despite sale of business

By Andrew Jack in Paris

Saint-Gobain, the French glass and building materials group chaired by Mr Jean-Louis Beffa, yesterday reported net income up 16 per cent to FFr4.2bn ($830.1m) for 1995.

The improved result came despite a 6 per cent reduction in turnover, to FFr70.3bn, following its sale of the Papier-Bois business at the start of November 1994.

The group stressed that the increase in underlying profits would have been 49 per cent above 1994 net income of FFr2.7bn, before the effect of capital gains from exceptional sales of businesses.

Operating profits for the year rose 7 per cent to FFr7.8bn, ahead of a sharp reduction in financing charges to FFr610m from FFr1.3bn, and other non-operating costs of FFr560m, against FFr1.1bn.

The group said its total net debt remained "low" at FFr3.8bn, or 8 per cent of shareholders' funds, compared with FFr2.5bn in the previous 12 months.

However, it said FFr9.2bn – or 13.1 per cent of turnover – came from self-financing, meaning that it was able to cover practically all of its industrial and financial investments internally.

Sales in France accounted for 19 per cent of the total, with a further 10 per cent exported from plants in France to other countries, 40 per cent from production in other European countries, and 31 per cent in countries outside Europe.

It said Latin America had shown a drop in profitability, but France and other European countries were positive.

Jean-Louis Beffa: chairman of building materials group

In an unusual statement from a French company, Saint-Gobain stressed that its results were compiled in accordance with International Accounting Standards, with the exception of a rule on depreciation which it used to comply with requirements from the Commission des Opérations de Bourse, the market regulator.

● Union des Assurances de Paris, France's largest insurance group, said yesterday its consolidated revenue for 1995 was provisionally estimated to have risen by 3.6 per cent on the 1994 figure, to FFr157bn, AP-DJ reports from Paris.

UAP said the increase took into account for the first time UAP's acquisition of Provincial Insurance of the UK, effective from January 1 1995, as well as a change in accounting methods at its Scor unit.

EUROPEAN NEWS DIGEST

Fokker bond fears hit Commerzbank

Commerzbank shares fell sharply yesterday on concern over its financial exposure to Fokker, the ailing Dutch aircraft manufacturer in which Daimler-Benz has a large minority stake. Daimler said on Monday it was ceasing financial support for the heavily loss-making company.

Shares of the German bank dropped DM9, or 2.6 per cent, to DM338 on a day in which the Dax index of 30 leading shares rose almost 1 per cent to a record 2,443.72. Analysts said Commerzbank would have to increase its risk provisions, depressing 1995 profits below market expectations.

The bank was lead manager for two Fokker bond issues. Investors' concern centres on the second – totalling DM500m and running until 1998 – and the amount Commerzbank has on its books. The bond dates from 1993, just after Daimler became involved with Fokker, which increased investors' confidence in the issue. Dresdner Bank has also lead-managed Fokker bond issues.

UK analysts said Commerzbank had told them it had a "significant exposure" to the bonds. They said Union Bank of Switzerland had become a seller of Commerzbank shares. Some estimated the German bank's provisions would have to rise by up to DM200m ($135m) for 1995 because of Fokker and Germany's economic slowdown.

Andrew Fisher, Frankfurt

Lufthansa 'in profit'

Lufthansa, the German airline, yesterday reported an 8.2 per cent rise in passenger volumes to 40.7m passengers in 1995, compared with 37.6m the previous year. In a preliminary statement ahead of its official 1995 figures, the airline added that the cargo and airmail business had also increased, by 9.8 per cent to 1.6m tonnes.

The figures did not include details of 1995 earnings, but the company said it "ended the year in profits". In the first nine months of 1995 Lufthansa posted profits of DM506m ($341.9m) before tax and net transfers, a performance affected strongly by the rise of the D-Mark against the dollar and European currencies. Lufthansa said yesterday it ended the fourth quarter on "a positive note".

The airline said capacity measured in tonne-kilometres increased by 9.7 per cent with revenues up 9.1 per cent. The overall load factor, which denotes the utilisation of total available capacity, dropped by 0.4 percentage points to 70.4 per cent. The seat load factor – the occupancy rate of passenger seats –increased by 0.5 percentage points to a 70.5 per cent, compared with 1994. The number of passengers and the seat load factor were both records.

Wolfgang Münchau, Frankfurt

Gambro backs Incentive bid

The bid by Incentive, a core Wallenberg empire industrial company, to complete a full takeover of the Swedish medical technology group Gambro received an important boost yesterday when the Gambro board officially backed the offer, which valued the target company at more than SKr18bn ($2.63bn).

Incentive, already Gambro's biggest shareholder, bid SKr155 a share earlier this month for the majority of the stock it did not hold, as part of a strategic move to make medical technology its main business.

The bid represented a premium of more than 32 per cent over the average Gambro share price in the six weeks running up to the offer. After advice from UBS Securities, the board said it judged the premium to be "adequate" and recommended shareholders to accept Incentive's offer. It added that a deal between Incentive and Gambro's other main shareholder, which led to Incentive holding more than 70 per cent of Gambro's voting rights, meant a competing offer was unlikely. The bid expires at the end of February.

Hugh Carnegy, Stockholm

AssiDomän in US deal

AssiDomän, the Swedish forestry group, and Temple-Inland of the US yesterday announced a rare transatlantic alliance to pool marketing information and co-operate in research in corrugated packaging materials, a core product area for both groups. The companies have a combined annual corrugated production of 3.3m tonnes and are respectively the third largest producers in the sector in Europe and the US.

The alliance – which does not involve financial commitments – is between AssiDomän's packaging division and Inland Container, a Temple-Inland subsidiary. The deal, the first of its kind for the two producers, will enable Assi and Inland to serve the growing international need of their customers in the packaging industry.

Hugh Carnegy

E. Merck predicts growth

E. Merck, the German chemical and pharmaceutical group, expects its group profit for 1995 to show a "significant rise" from the previous year. The company did not release a specific figure. Merck, which floated shares in October, said its 1994 group net profit was DM257m ($173.6m).

The group's 1995 group worldwide sales rose 10.8 per cent to DM6.27bn from DM5.66bn a year earlier. Merck said 1995 sales in its pharmaceuticals area grew 14 per cent from a year ago. Sales in the laboratory area were up 16 per cent, largely because of the first-time inclusion of new units, the company said, calling developments in the sector "positive." However, sales in Merck's special chemicals unit "stagnated because of varying developments in separate business areas".

AP-DJ, Darmstadt

■ Ferruzzi Finanziaria (Ferfin), the Italian holding company, said yesterday that 71 per cent of its L953bn ($599m) rights issue had been taken up in the market. The outcome will satisfy Mediobanca, the Milan merchant bank, which pushed the capital increase through in defiance of holders of 20.5 per cent of the capital, led by the banking group San Paolo di Torino. Rights not purchased will be traded on the market between February 5 and February 9.

Mediobanca also launched its obligatory offer for 158m shares in Ferfin yesterday. The offer will run until March 14. Mediobanca is expected eventually to hold about 15 per cent of the equity.

John Simkins, Milan

■ GEA, the German process technology group, has bought Barr & Murphy, the UK-based specialist dryer manufacturer, which is to be merged with Rosin Engineering, GEA's existing UK operation. No price was disclosed. Barr & Murphy, which has operations in Canada, recorded sales last year of around DM30m. It claims to be the world leader in the manufacture of starch industry dryers. GEA, which faces strong competition from the APV, the UK-based group, and Alfa Laval of Sweden, said it hoped the new operation would become the leader in the flash dryer market.

GEA is expected to report 1995 sales of about DM4.2bn ($2.84bn) and hopes to see "double-digit growth" on its 1994 net profits of DM99m.

Michael Lindemann, Bonn

Spanish TV head hints at flotation

By Raymond Snoddy

Mr Antonio Asensio Pizarro, chairman of Antena 3 Television, Spain's leading commercial television channel, said yesterday he would consider a flotation for the company if there was a change of government in the March national election.

Government permission is now required for changes in ownership in Spanish television channels, but the opposition centre-right Popular Party, ahead in the opinion polls in advance of the March 3 vote, is likely to take a different view.

"When it is technically possible we will consider it," Mr Asensio said yesterday. He was in London to sign a Pta15bn ($120.3m) loan arranged by Merrill Lynch, the US investment bank. The five-year loan was designed to restructure the company's debt from short-term to long-term. The agent bank for the deal was the Royal Bank of Scotland.

Antena 3 was launched in 1989. For a time last year it was the leading channel in Spain and took 33 per cent of total television advertising revenues. Its 1994 sales totalled Pta54bn.

As well as being the largest shareholder in Antena 3, Mr Asensio also controls Grupo Zeta, the large Spanish newspaper and magazine publishing group.

Mr Asensio said the financial restructuring would allow the television company to expand, particularly in South America, where the company already manages a channel in Peru.

In Mexico, the company has already signed a letter of intent with Multivision, the cable television operator, and with Television Azteca to produce television programmes. In Argentina it hopes to run a newly privatised television channel with local partners.

Antena 3 is also involved in the nascent cable television industry in Spain, and is already broadcasting five themed cable channels.

Mr Asensio says he wants the company to be involved in offering cable telecommunications services in Spain. Under a European Union directive, this must be made possible by 1998.

The Antena 3 chairman has decided against investing in either of the two consortia planning to launch competing digital satellite television services in Latin America.

"It's going to be a long, costly battle and a very long-term return," said Mr Asensio. He said he would prefer to invest programme production and management expertise rather than cash in South America.

Hungary to sell stake in chemicals concern

By Virginia Marsh in Budapest

Hungary is to float and sell off a majority stake in Borsodchem, its second largest chemical company, to institutional investors, including the European Bank for Reconstruction and Development.

APV Rt, the state privatisation agency, aims to reduce its stake in the company from around 88 per cent to less than 30 per cent.

Part of the stake will be sold through an international private placement over the next two weeks, it was announced yesterday. West Merchant Bank, the investment banking arm of Germany's WestLB, and HSBC Investment Bank, part of Hongkong and Shanghai Banking Corporation, are joint global co-ordinators.

The price range for the offering – which is expected to be one of Hungary's largest this year – has been set at between Ft1,400 and Ft1,800. There will also be domestic and employee offerings and a capital increase. The total value of the offering is estimated at between $50m and $60m, with proceeds to the company, which is also selling off some of its own shares, of $28m-$36m.

The company produces PVC and MDI, a polymer used in the construction industry. Yesterday it reported unaudited net income of Ft5.27bn ($37.6m) on sales of Ft29.2bn in the first nine months of last year.

Although highly profitable, some analysts have raised concerns over the company's environmental liability and structural problems.

However, the offering coincides with an upturn in investor confidence in Hungary's commitment to reform, following a spate of large privatisation deals late last year and an improving economic outlook.

The Budapest stock exchange soared 64 points yesterday to close at 1,870.

NAB ahead 11.8% but warns on future growth

By Nikki Tait in Sydney

National Australia Bank, the largest of the country's nationwide banks, yesterday warned that slowing economic conditions in the three geographics areas where it operates could peg the institution's future profits growth.

The bank unveiled an 11.8 per cent increase in profit after tax to A$513m (US$378m) for the first quarter of the year, to end-December. Earnings per share were 7.5 per cent higher at 35.9 cents.

But Mr Don Argus, managing director, said economic activity was slowing in all areas where the bank was active – Australia, the UK and, since last year, the US – and that competition was intensifying as demand for credit fell. He said that the bank expected some improvement in the business cycle in the second half of 1996, but "conditions will generally be tough for most of the current year".

"Banks are only the messengers for the economy. If your economy slows, then obviously our opportunities slow," he said.

At the company's annual meeting, meanwhile, Mr Bill Irvine, chairman, emphasised the bank's continued interest in expanding its operations into the south of England. "We do have expansion thoughts in mind, particularly in the south of England where we are not strongly represented, and in part of the US where we may be able to use Michigan as a stepping-off point," he said.

NAB acquired Michigan National, its first US purchase, last year.

As far as the Asia-Pacific region was concerned, the bank was "continually reviewing our performance and strategies". In the past, NAB has pointed to the problems in gaining entry to Asian markets, but said they remain part of group strategy.

The first-quarter figures showed a rise in the charge for bad and doubtful debts, to A$58m compared with A$33m a year ago, and NAB said that the underlying profit increase – before tax and doubtful debt provisions – was 15.1 per cent, at A$859m.

At the after-tax level, Michigan National made a A$25m contribution, which was said to be "in line with expectations".

Net operating profit from the Australian region was up by 3.6 per cent, to A$348m, but the UK and Irish banking interests saw a 13.2 per cent fall from A$91m to A$79m. NAB said this reflected an increase in bad and doubtful debt charges driven by the worsening economic climate and more stringent provisioning within its Yorkshire bank unit.

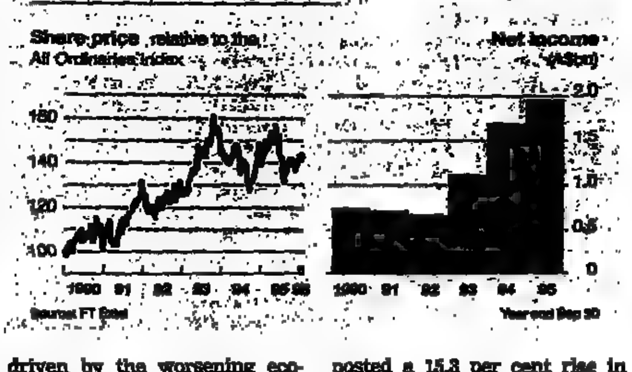
In the last full year, NAB posted a 15.3 per cent rise in profits, to A$1.97bn.

The bank's shares closed 11 cents higher at A$12.59 on the Australian stock exchange.

COMPANY PROFILE:
National Bank of Australia

Market capitalisation	A$17.8bn
Main listing	ASX, Nat. Market
Historic P/E	9.5
Gross yield	6.57%
Earnings per share	1995: A$1.37
Current share price	A$12.59

Don Argus
managing director



Source: FT Extel

Fairfax plans indexed bond to fund print plant

By Nikki Tait

John Fairfax, the Australian newspaper publisher, yesterday unveiled plans to fund its new Chullora printing plant, in Sydney's western suburbs, through an innovative A$105m (US$71m) indexed bond issue.

The indexed bond market in Australia has recently been widening in scope – for example, by moving from the original government issues to private sector infrastructure funding.

However, this is thought to be the first time that a corporate borrower has used the market to fund a specific project.

The Fairfax issue takes the form of 20-year annuities pegged to the consumer price index, maturing in 2015.

The bonds will split into two classes: the class A bonds, which will be rated AAAr by Standard & Poor's as the result of credit enhancement by AIDC, the finance house, and the class B bonds, which will be unrated.

The advisers to the issue said they expected to issue mainly class A bonds, as "the investor market for long-dated corporate CPI exposure has not yet developed sufficiently" and the class B bonds depended solely on Fairfax's credit.

Mr Peter Delaney, managing director of Oxley Corporate Finance, which is handling the issue along with Bankers Trust Australia, acknowledged that the issue would "stretch" Australia's indexed bond market. But he added that local institutions were becoming more pro-active, and receptive to less conventional offerings.

The issue will be priced at a yield equivalent to 30-35 basis points over the Commonwealth Government's 2010 capital indexed bond.

The Chullora plant began operating in the second half of 1995. Earlier this week, Mr Bob Mansfield, the new managing director of the group, reassured investors about problems associated with moving operations there, saying that stress on the plant by a large Saturday edition of the Sydney Morning Herald had been responsible for some delayed deliveries.

Fairfax shares closed 3 cents higher at A$2.91 on the Australian stock exchange yesterday.

Japanese brewers are feeling the draught

Competition at home has given companies the taste for overseas expansion, says **Emiko Terazono**

After swamping the world with electronic gadgets and cars, will Japan now flood it with beer? The country's leading beer companies hope so. Faced with increasing pressure in the domestic market, they are pumping up their overseas operations.

Their ambitions are global. They include Europe, where Sapporo Breweries expects to triple beer sales this year following the start of a joint venture with UK brewer Guinness to manufacture its brew locally.

In China, Asahi Breweries is acquiring two local producers, making it the country's largest brewer with a 3.7 per cent market share. Asahi expects to start manufacturing its mainstay "dry" beer there this year.

This aggressive international expansion has been prompted by increased competition in a maturing domestic market. In the past, beer companies could afford to neglect overseas markets as the Japanese market, with its closed distribution network and steady demand growth, offered solid profits.

However, margins are being squeezed due to slower growth, increasingly sophisticated consumer tastes, intensifying competition, and deregulation of the distribution system.

"The beer companies face an increasingly tough environment," says Ms Emi Ueji, industry analyst at Moody's Investors Service, the international credit rating agency.

The Japanese beer market, the world's fourth largest, grew only 4.3 per cent last year, and Moody's expects the annual growth rate of beer demand in Japan to remain at around 1 to 2 per cent over the next few years.

Slower demand is partly caused by changing demographics, as the baby boomer generation, currently big beer consumers, matures. Alcohol consumption is heaviest among consumers between the ages of 30 and 45, but the market is expected to shrink as the baby boomer generation ages.

Diversifying tastes among consumers are also eroding demand. More Japanese consumers are drinking wine and other alcoholic beverages. A recent hit among young drinkers, especially women, has been ready-made alcoholic cocktails in cans.

This growing trend is forcing brewers to broaden the number of brands, reducing their economies of scale.

Brewers' margins have also been hit by a change in the retail law which increased imports and triggered widespread discounting of the domestic brews. In 1989, the government opened the alcoholic beverage market to large superstores, allowing retailers with floor space of more than 10,000 square metres to sell such products.

Since then, consumers have increasingly bought beer in supermarkets. This has eroded brand loyalty, because previously distributors supplied the same brand of beer by home delivery.

Discounting has also been encouraged by the loosening of ties between brewers and distributors, prompted by the enforcement of the anti-monopoly law by the country's Fair Trade Commission, the anti-trust watchdog. In the past, manufacturers fixed retail prices by threatening to stop supplies to retailers if they failed to apply the "suggested retail price", or to distributors if they sold their products to discounters. This is no longer possible.

Finally, Japanese brewers have faced an onslaught of imported beer encouraged by the yen's appreciation. Aside from imported beer by leading US and European makers, supermarket chains, using their bulk purchasing power, have forged links with overseas beer manufacturers to market their own beer.

Last year, beer imports rose 20 per cent to $298m, and increased 177 per cent in volume terms. Such growth is set to continue.

"We expect [1994's] imports' 4.8 per cent share to rise to about 7 or 8 per cent in 1996," says Ms Patricia Horvath at UBS Securities.

The Japanese groups have responded by cutting costs, expanding their product line-up and globalising their operations.

The most effective measure would be to cut production, sales and promotion costs, but there are limits.

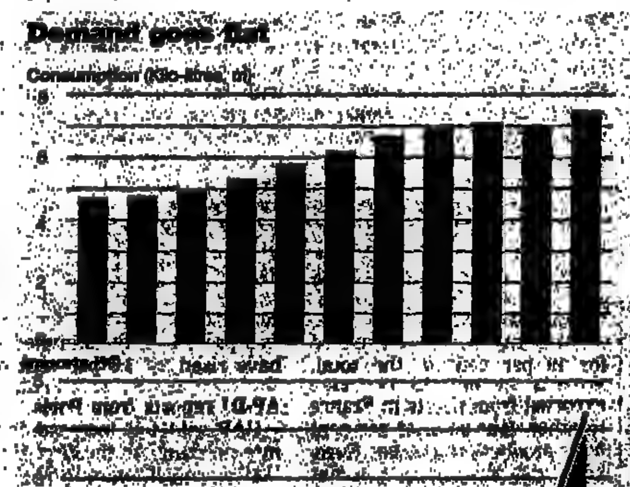
On the production side, the government has unofficial guidelines that insist on using expensive domestic malt.

Cost cutting by reducing personnel is virtually impossible in Japan.

Moreover, the brewers' international expansion will not immediately boost earnings. While beneficial in the long term due to the significant growth potential – especially in south-east Asia and China – industry analysts point out that the costs of setting up plant and distribution networks will be burdensome, at least initially.

"Aggressive globalisation possesses risks on the medium term," says Ms Ueji at Moody's.

Demand goes flat



Source: National Tax Administration Agency

Inca Kola ahead of US rivals in 'cola wars'

By Sally Bowen in Lima

Inca Kola, the Peruvian cola drink, outsold its international rivals Coca-Cola and Pepsi Cola in Peru last year, in spite of the massive advertising campaign the US groups unleashed in Latin America as part of the "cola wars".

With Latin American per capita consumption of soft drinks about one-third that of the US, the southern continent is an attractive target for the northern bottlers.

Latin America accounts for about a quarter of Coca-Cola sales worldwide, second only to the US; and Pepsi aims to increase its continental market share from 20 per cent to about 35 per cent by 1998.

But in Peru, Inca Kola is holding the giants at bay. J.R. Lindley, the Peruvian company which invented the nation's favourite soft drink, has just celebrated 85 years of existence. Founded in 1910 by Joseph Robinson Lindley, it remains a family company.

However, Mr Johnny Lindley, grandson of the founder, is presiding over large expansion moves. The company will invest some $17.5m in the next couple of years – $10m on construction of a plant for non-returnable plastic bottles south of Lima, the remainder on modernisation of its Rimac bottling plant.

The outlook for the Peruvian soft drinks market is bright, according to Mr Lindley. After seven years of depressed demand (Peruvians cut down sharply on soft drinks – although not on beer – when incomes are squeezed), 1995 saw record sales for Inca Kola of about $110m: that compares with $43m in 1993 and $82m in 1994. 1995 group profits will be about $12m.

However, Peru's national soft drink has always been manufactured from imported essential oils. Coca-Cola's "secret" ingredient, meanwhile, has traditionally been extract of coca leaf, purchased from Enaco, Peru's state marketing entity for the small quantities of legally-grown coca.

Inca Kola is already being bottled under licence in Ecuador, Bolivia and the US (in Florida, California, New York and New Jersey, which have large Peruvian communities).

At home, J.R. Lindley is developing a ready-bottled rum cola drink with 11 per cent alcohol content. It is also about to launch a diet version of Inca Kola.

J.R. Lindley's non-voting shares have been among the best recent performers on the Lima stock exchange. From the 1 new sol issue price in 1993, they climbed on 1994 results to more than 5 new sol before falling back, in line with the general index, to today's 3.65 new sol.

Given its recent performance, J.R. Lindley has attracted interest from outsiders looking to acquire either a formal stake or to introduce the rather old-fashioned company to the international capital markets.

"We'd like to keep going as an independent family business," says Mr Lindley. "Of course, if we need financing in excess of what the local market can provide, we'll look at possibilities."

NEWS DIGEST

Dow Chemical up despite flat sales

Dow Chemical, the US chemical producer, reported that sales had slowed in the fourth quarter, with operating income up 28 per cent to $663m on unchanged sales of $4.5bn. In the third quarter, sales were up 16 per cent.

However, like its rival chemical company Du Pont earlier this week, Dow said prices had begun to stabilise by the year-end, having weakened due to inventory build-up from the mid-year. Dow said it expected another good year in 1996. Earnings per share for the quarter were $1.63, up 41 per cent before extraordinary items. For the full year, earnings were $3.27 per share before special items, a rise of 152 per cent.

In the final quarter, the chemicals and performance products division increased its operating income by 40 per cent to $285m, with higher prices for caustic soda, propylene glycol and ethylene glycol. The plastics division raised profits by 14 per cent to $476m. The energy division made a loss of $24m, due mainly to the expiry of two large supply contracts in Texas the previous year. Agricultural chemicals saw a rise in volume of 10 per cent. *Tony Jackson, New York*

Canada's BCE slides 33%

Problems at its main telecommunications unit reduced 1995 earnings at BCE, Canada's international telecommunications group, to C$782m (US$571m), or C$2.23 a share, down 33 per cent from C$1.2bn, or C$3.52, in 1994, although total revenue rose 13 per cent to C$24.6bn from C$21.7bn.

Bell Canada, the group's largest subsidiary, contributed profits of $502m, down from $721m. Bell Canada met stiff competition in the long distance market and only recently won an increase in regulated local rates. The company is also restructuring to reduce costs.

BCE's fourth-quarter profit was C$289m, or 86 cents a share, down from C$318m, or 96 cents, on revenue of C$7.4bn, against C$6.2bn. The 1995 contributions from Northern Telecom, BCE's 52 per cent owned equipment manufacturer, and BCE Mobile, the cellular unit, were higher. *Robert Gibbens, Montreal*

Sony and Sanyo in LCD link

Sony and Sanyo are joining forces in the production of liquid crystal display panels, highlighting moves to share the burden of investing in LCD panel production amid growing competition. The tie-up between the Japanese companies also reflects an attempt by the two companies to catch up in a promising area where both have lagged behind other companies, such as Sharp. Sony and Sanyo will pool their research and development resources to develop and produce low-temperature polysilicon thin-film transistor LCD panels, which will be significantly cheaper to produce than the current high-temperature product. *Michiyo Nakamoto, Tokyo*

Newcrest Mining tumbles

Newcrest Mining, the Australian goldminer, announced a sharply-reduced profit after tax of A$12m (US$8.84m) for the six months to end-December, down from A$26.6m in the same period a year earlier. Earnings in the December quarter were depressed, mainly because of lower gold production at the Boddington mine in Western Australia, and the company warned that "operating earnings will be under pressure in the second half of this financial year as the company focuses on new projects which will underwrite profits growth over the longer term". *Nikki Tait, Sydney*

Reverse at Highlands Gold

Highlands Gold, the Papua New Guinea-based mining group which is controlled by Australia's MIM, said that net profits fell to K1.29m ($963,000) in the first half, compared with just over K4m in the same period a year ago. The company said the weaker result reflected higher costs at the Porgera goldmine and increased depreciation and exploration expenditures, partly offset by higher revenues, higher US dollar gold prices and the benefit of a devalued kina. *Nikki Tait*

Amcor completes US buy

Amcor, the Australian paper and packaging group, yesterday continued its US expansion, announcing that it had acquired Anie Paper, a Chicago-based distribution company. It distributes corrugated fibre boxes and industrial packaging products into the Chicago market, and has annual sales of about A$40m. No price was disclosed. *Nikki Tait*

Westfield Trust ahead

Westfield Trust, the Australian property developer, announced an 18.3 per cent increase in after-tax profits for the year to end-December, to A$187.6m (US$138.2m). The company, which specialises in shopping centre developments, said total assets were up 14.3 per cent, to A$3bn. It said it expected first-half profits in the current year to be above those in the same period of 1995. *Nikki Tait*

Kiwi Travel plans float

No-frills carrier Kiwi Travel International Airlines said it planned to go public in September this year and was considering a listing on the New Zealand Stock Exchange. Mr Ewan Wilson, 29-year-old chief executive of the company, expected Kiwi to increase staff to 300 by July 1997, from 115 at present and just eight a year ago. It has developed from one-off charters to 14 scheduled flights a week to Australian cities from Hamilton and Dunedin, in the south. *Reuter, Wellington*

AMERICAS NEWS DIGEST

Hasbro shares up as Mattel bid snubbed

Shares in US toymaker Hasbro rose almost 40 per cent in early trading yesterday, after the company rejected a $5.2bn takeover bid from rival Mattel. Hasbro was up $12⅛ at $42¾ while Mattel, manufacturer of the Barbie doll, was down $½ at $31½.

Hasbro's board rejected the offer – of 1.67 shares in the merged company for every Hasbro share – because of concerns that the deal would not be approved by anti-trust authorities. Mattel said yesterday it had had anti-trust lawyers working on the proposal for months and was convinced the merger would clear anti-trust hurdles. Analysts said the merger would create a company with estimated 1996 sales of $7.3bn and a 30 per cent share of the $13bn US toy market.

AFX, New York

Coca-Cola result fails to impress

Coca-Cola, maker of the soft drink, increased annual earnings by 20 per cent in 1995. Mr Roberto Goizueta, chairman and chief executive, said: "This was a strong year all round . . . with record earnings, record case sales volumes, record market share and an outstanding total return of 46 per cent for our share owners."

However, the shares fell $1⅝ in morning trading to $73⅝, as the market has come to expect Coca-Cola to beat predictions. In the fourth quarter, sales rose 8 per cent to $4.33bn, and operating income was 9 per cent higher at $949m. Net income was 14 per cent ahead at $648m, with earnings per share up 18 per cent to 52 cents, reflecting a 2 per cent reduction in the number of shares in issue. During 1995 the group bought back 29m shares at an average $61.

For the full year, revenues rose 11 per cent to $18bn and operating profits by 10 per cent to $4.09bn. Net income was up from $2.55bn to $2.99bn, and earnings per share from $1.98 to $2.37.

Maggie Urry, New York

P&G ahead 11% in second term

Volume gains and cost control helped Procter & Gamble, the consumer goods group, increase second-quarter earnings per share 11 per cent from $1.06 to $1.18. However, the shares fell $3 to $85⅝, more than giving up Wednesday's $2¼ gain from news of the approval of P&G's olestra, a calorie-free fat product. In the three months to December 31, net income rose 11 per cent, from $750m to $836m. Mr John Pepper, chairman and chief executive, said the results reflected "solid growth".

Maggie Urry

MCI buys satellite TV slot

MCI Communications, the long-distance phone company, moved into television yesterday, paying $682.5m at a government auction for a satellite-television slot that can blanket the US with TV signals. The carrier – which is aligned with Mr Rupert Murdoch's News Corp – outbid Tele-Communications Inc, the nation's largest cable-TV operator, and EchoStar Communications, a small Colorado provider of satellite-TV entertainment.

The price paid at the Federal Communications Commission auction was at the high end of expectations. About 1.2m households receive direct broadcast satellite (DBS), a fast-growing service that also can transmit voice and data signals. It competes with cable TV.

Reuter, Washington

Schering-Plough pleases market

Shares in Schering-Plough rose $1¼ to $59⅜ yesterday morning as the US pharmaceuticals group beat market expectations with a 17 per cent rise in net income in the latest quarter. The company's results came on the back of an 11 per cent increase in sales to $1.29bn. The growth was driven by a 14 per cent increase in pharmaceutical sales, based on the respiratory drug Claritin and a range of anti-infective and anti-cancer products.

After-tax profits for the quarter were $239m, or 66 cents a share. For 1995 as a whole, net income slipped 4 per cent to $887m, or $2.40 a share, as the company reported losses of $165m on a disposal. Sales in 1995 reached $5.1bn, a rise of 13 per cent.

Richard Waters, New York

Revamp puts CN C$1.1bn in red

Heavy restructuring charges took the newly privatised Canadian National Railways into a C$1.1bn (US$804m) loss for 1995, equal to C$13.56 a share. The special charges totalled almost C$1.5bn. Continuing operations excluding special items showed a profit of C$362m or C$4.50 a share, up from C$263m or C$3.29 a share in 1994.

For 1995 operating revenues were C$4.1bn, down 4.8 per cent from 1994, mainly because of lower grain movements. CN was sold to the public in North America and Europe late last year for C$2.2bn.

Robert Gibbens, Montreal

Damages award puts Loewen in jeopardy

By Bernard Simon in Toronto

Loewen Group, one of North America's biggest funeral home operators, has warned that its own life has been put in jeopardy by the fall-out from big civil damages awarded last autumn by a Mississippi jury.

Loewen's shares lost almost a third of their value in early trading on the Toronto stock exchange yesterday after the Vancouver-based company warned that it may be forced to file for bankruptcy protection. The shares stood at C$23.13 at midday, less than half last year's record C$56.

The warning followed a ruling by the Mississippi supreme court that requires Loewen to post a bond of US$625m if it wants to appeal last November's $500m damages award. Loewen had offered to post a $125m bond, but Mississippi law requires a surety bond equal to 125 per cent of the original judgment.

Loewen has expanded its revenues more than tenfold since the late 1980s by buying small family-owned funeral businesses across the US and Canada. The company operates 814 funeral homes and 179 cemeteries.

Its current problems stem from an acquisition six years ago in Jackson, Mississippi. Shortly after the deal was concluded, Loewen was sued for breach of contract by Mr Jeremiah O'Keefe, a prominent local businessman and civic leader who operated a rival funeral services and insurance group. Mr O'Keefe alleged the Loewen company had reneged on an agreement to sell his group's insurance policies.

Mr O'Keefe later broadened his claim to include antitrust, fraud and other allegations. During last year's seven-week trial, Mr O'Keefe was held up as a local hero fighting for his family and livelihood.

By contrast, Loewen was portrayed as a greedy foreign company seeking to exploit family businesses in one of the poorest US states. The jury awarded Mr O'Keefe $100m in compensation and $400m in punitive damages. Loewen said it was optimistic that these amounts would at least be reduced on appeal.

Under this week's court ruling, the plaintiffs would be able to attach Loewen assets if the company cannot raise the bond by January 31. Furthermore, obligations related to the bond could trigger defaults on Loewen's senior debt and bank credit lines. The company's long-term debt totalled US$687m last September.

Loewen said it would continue "to explore options to raise financing to support the bond" but that if its assets and operations were at risk, it might be "in the best interests of its continued operations, shareholders and creditors to place the company under bankruptcy protection".

AT&T rises 12% before break-up charges

By Tony Jackson in New York

AT&T, the US long-distance phone company, produced a 12 per cent rise in net income to $5.5bn in the last full year before its impending break-up.

However, extraordinary charges associated with the break-up, as previously announced, pulled earnings down to $139m for the year, or a loss of $2.7bn for the final quarter.

Mr Robert Allen, chairman, said: "Short-term profitability is important, but long-term growth and financial strength are essential."

Fourth-quarter earnings before charges were also up 12 per cent at $1.5bn, or 94 cents a share, slightly less than the market expected.

The volume of long-distance calls in the quarter was up 8.3 per cent, helped by growth in business calls from outside the US.

The company said its volume growth was "at or near" growth for the domestic market overall.

Sales of telephone network equipment rose 23 per cent in the quarter to $4.1bn. This was due to a strong rebound in sales to the local Baby Bell phone companies.

Previously, AT&T had said a central reason for splitting its equipment business from phone services was reluctance by the Bell companies to buy from a potential competitor, given the approaching deregulation of the US telecoms industry.

In wireless services, the number of subscribers rose 37 per cent in the quarter to 5.5m. Wireless revenues rose 26 per cent to $792m.

Robert Allen: long-term growth and financial strength essential

The equipment business saw growth in demand for cordless phones. However, this was partly offset by a drop in sales of corded phones and answering machines.

NCR, the computer business which AT&T is also to spin off, saw its revenues collapse by 28 per cent in the quarter to $1.3bn, and by 8 per cent for the year to $4.7bn. This was largely due to the halting of manufacture of personal computers, part of a restructuring undertaken in the third quarter.

NCR made an operating loss of $79m in the quarter, compared with a profit of $45m the year before. Operating losses for the year, excluding restructuring charges of $1.6bn in the third quarter, were $580m, compared with a profit of $2m in 1994.

AT&T said the fourth quarter loss, smaller than in the quarters immediately before, had been helped by better product margins and lower overheads due to the restructuring.

For the full year, revenues rose 6 per cent to $79.6bn. AT&T's shares fell $1¼ to $64 in early trading.

Fourth-quarter price falls hold back US Steel

By Richard Waters in New York

The steady decline in steel prices in the US during the second half of 1995 ate into the profits of US Steel in the final three months of the year, reversing the earnings growth notable in earlier quarters.

Along with other steelmakers, however, the US's biggest producer indicated that orders had been strong in recent weeks, suggesting that a recently announced price rise should hold.

US Steel's operating income during the fourth quarter of 1994 slipped to about $28 per ton of steel shipped, from $44 a ton a year before.

The company blamed the decline on falling prices in the spot market for steel, as well as a less favourable product mix.

That was in part because less-profitable exports topped 500,000 tons in the period, out of total shipments of 3m tons.

Inland Steel, another of the US's leading integrated steel producers, had registered a similar picture with fourth-quarter results released a week ago.

The sharp reduction in prices of flat-rolled steel led to a 6 per cent fall in sales from a year before, to $602m, while shipments remained virtually unchanged at 1.29m tons.

As a result, operating profits at Inland Steel slipped to about $17 a ton in the final quarter, from $36 a ton the year before.

However, the company indicated that it expected the deterioration to be reversed in the current quarter. "Our general order book has been very, very strong," Mr Earl Mason, the chief financial officer, said. "I personally believe the [higher] prices will stick."

Mr Thomas Usher, chairman of USX, US Steel's parent, said that the company's order book for flat-rolled steel "is expected to remain strong" in the first quarter of this year, especially in such important areas as the automotive, appliance and construction industries.

US Steel's after-tax profits for the quarter fell to $61m, or 67 cents a share, from $90m, or $1.11 a share, partly because of one-off charges of $26m. For the full year, the company recorded net income of $301m on sales of $6.46bn, up from $201m on sales of $6.07bn in 1994. Earnings per share rose to $3.41 from $2.33.

Inland Steel reported fourth-quarter net income of $24.9m, or 47 cents a share, down 30 per cent and 29 per cent respectively from a year before. Full year net income rose 37 per cent to $146.8m while earnings per share climbed 49 per cent to $2.69.

US airlines begin to feel benefits of cost cuts

By Richard Tomkins in New York

Last year's fourth quarter – and for that matter, the full year – marked a sharp turnabout in the fortunes of US airlines. The industry has been enjoying its most profitable period since the last peak in 1988, and most airlines' results have reflected this new wave of prosperity.

Some observers have attributed the profits increase to a rise in passenger numbers, fed by growth in the US economy. But this is only part of the story: according to the Air Transport Association, passenger numbers rose by less than 4 per cent last year, from 528m to 548m.

More important was the airlines' efforts to stabilise, and in many cases reduce, capacity. Combined with the rise in passenger numbers, this resulted in fewer empty aircraft seats, so enabling the airlines to increase fares and reduce the number of ruinous fare sales that had characterised previous years.

Simultaneously, the big US airlines have been making determined efforts to cut costs. Some have reduced employee numbers, others have succeeded in persuading employees to accept wage and benefit cuts: and all have gained from the industry's decision last February to cap travel agents' commissions.

AMR, parent company of American Airlines, kicked off the industry's reporting season last week by reporting a healthy increase in underlying net income from from $51m to $91m for the fourth quarter.

US AIRLINES: 1995 RESULTS

Airline	Fourth quarter Net income (loss) $m 1995	1994	Full year Net income (loss) $m 1995	1994
UAL	(81)	(12)	[illegible]	n/a*
AMR	(282)	(139)	162	[illegible]
Delta Air Lines	n/a†	n/a	[illegible]	[illegible]
Northwest Airlines	39	20	393	[illegible]
Continental Airlines	41	(523)	224	(613)
USAir	38	(342)	[illegible]	(752)
Southwest Airlines	43	20	183	179

* Figures not comparable because company was [illegible] for employee buy-out [illegible]
† Awaiting publication
Source: company reports

Unfortunately, the company also suffered a bout of special charges, and the figures reported at the bottom line showed an increase in net losses from $139m to $282m.

On the plus side, AMR saw a 4.1 per cent increase in the mileage flown by passengers, and the airline said fares had been more stable than they had been for a considerable time.

But the company took restructuring charges of $533m before tax, largely to cover the cost of early retirement programmes for flight attendants and ground staff. It also took a $26m provision for the uninsured costs of a crash in Colombia last month – the airline's first fatal accident since 1979.

Northwest Airlines was another strong gainer on the back of more passenger traffic and higher fares. Its figures were complicated by the accounting effects of an employee stock ownership scheme, but the company said that setting this aside, its net income would have shot up from $48.2m to $116.3m in the fourth quarter, excluding a $49.9m property gain. The actual figure reported was a more modest increase from $20.4m to $39.4m.

One of the biggest turnrounds came from Continental Airlines, which produced better-than-expected fourth quarter net profits of $41m after reporting net losses of $523m a year earlier.

After coming close to filing for Chapter 11 bankruptcy last year, the airline changed course by dropping its lossmaking, low-fare CALite operation and cutting back services to a profitable core.

In the latest quarter, Continental had 7,000 fewer employees and 21 fewer aircraft than a year earlier, resulting in a big decrease in costs. Capacity was down by 15 per cent, but profitability was much greater, even allowing for the fact that the comparable period included restructuring charges of $447m.

UAL, parent company of United Airlines, the biggest US carrier, was almost alone in producing figures that disappointed the market. After preference dividends, it reported fourth-quarter net losses of $81m, up from net losses of $12m last time.

As with AMR and Northwest, however, the UAL picture was muddied by a series of charges for aircraft retirements, early debt repayment and the accounting effects of the company's employee ownership scheme. Without them, UAL said, net profits would have shown an increase from $67m to $98m, a 46 per cent improvement – not least because of the wage savings that accompanied last year's employee buy-out.

Southwest Airlines, the low-cost, no-frills operator that has so often set the pace for the rest of the US airline industry, suffered a hiccup in its impressive growth in the last quarter of 1994, but the latest quarter saw it back in more confident form with an increase in net profits from $20m to $43m.

Finally, cynics might suggest that the best evidence of the industry's recovery was that even USAir managed to make a profit – its first for the fourth quarter and the full year since 1988.

Fourth-quarter net profits were $38.4m against net losses of $342m last time, partly thanks to Continental Airlines' withdrawal from the battle for market share on the east coast.

Yet as USAir itself acknowledged, it still has big problems. It has the highest labour costs of any large airline in the US, and unless Mr Stephen Wolf, its new chairman and chief executive, can secure a cost-cutting agreement with its labour unions, the airline's outlook will look grim when the next downturn arrives.

Barrick founder plans more active role overseeing the company's global expansion

Munk takes his mining group into a golden age

Mr Peter Munk, who founded Barrick Gold in Canada in 1983 and has seen it grow into the biggest gold producer outside South Africa, has been explaining why, at the age of 68, he has no intention of retiring and is taking a more active role in the group.

He quoted a long list of companies run successfully by elderly men who either founded them or are the biggest shareholders. There was a great deal to be said for a company with a first-class young management team with an older owner to superimpose the entrepreneurial drive that all growing companies needed, he said. "The last thing I want to do is retire – and it's the last thing shareholders want."

Barrick this month announced senior management changes which involved Mr Munk, chairman and chief executive officer, assuming direct responsibility for the company's expansion strategy.

Making his first public comment on these changes while visiting Barrick's operations in Chile, Mr Munk recalled that for the past five years he had stepped back a little from Barrick while the rest of the management team worked to get maximum results from the large Goldstrike mine in Nevada, one of the biggest in the world and which provides most of the group's gold reserves, output and cash flow. During that period Mr Munk devoted more time to the Horsham oil-to-property company.

Following Barrick's change of policy and a decision not to restrict operations to North America, the time came for him to devote more of his energy to identifying further growth opportunities for the company.

"We are determined that the entrepreneurial drive that created Barrick shall continue to shape our future."

He said Barrick previously did not have the time to grow, except by acquisition and then developing the acquired properties. However, in future, Barrick's growth would come from multi-faceted activity, including acquisitions. "We will use Goldstrike's cash flow and the strength of our share price to leverage our international expansion."

Barrick set up a $1bn credit facility in December to help finance this expansion.

The company would also grow by exploration and development and it had increased the budget for this from $15m in 1993 to $100m this year, he said.

Barrick would remain a gold company after the strategic decision, in 1994, to grow internationally rather than by diversifying into other metals and minerals. The recent change of name from American Barrick Resources to Barrick Gold reflected this change.

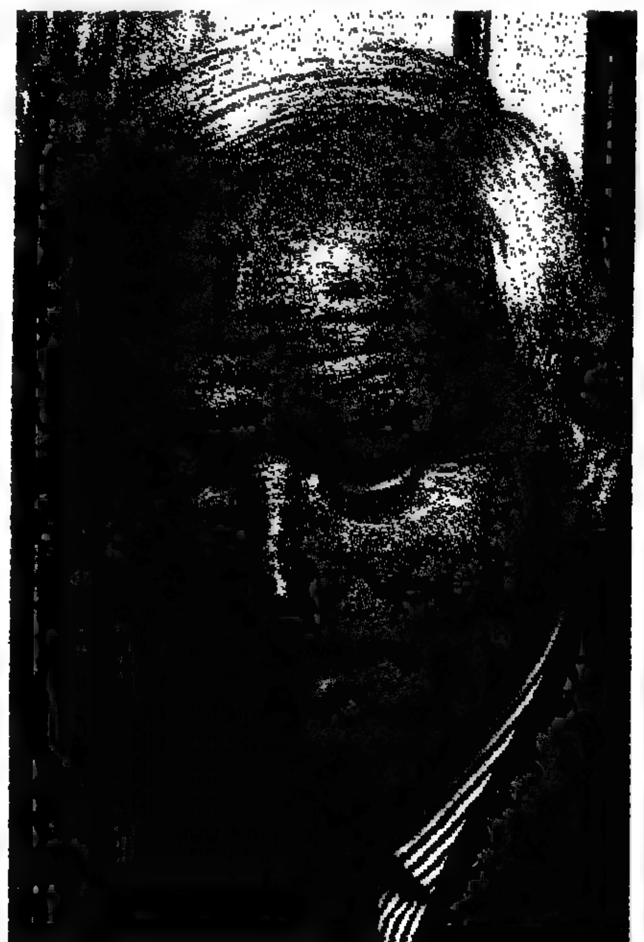
Mr Munk pointed out that the global industry was changing fast. Countries that previously barred foreign companies were not energetically inviting them to invest. A whole new era was emerging for the gold industry and the leadership role played by South African companies for two generations would come to an end in 10 to 15 years. Barrick intended to take up and maintain that leadership role. Barrick has 10 producing mines located on three of the most prospective gold belts in the world.

This month's management changes also involved Mr John Carrington, who joined the group a year ago from Noranda, Canada's biggest natural resources group, stepping up to become chief operating officer with responsibility for all mining operations. This meant Mr Bob Smith, 64, president, would wind down his responsibilities before retiring.

Other Barrick executives suggest one reason why Mr Munk is to play a more active role is so he can see if he can get along as well with Mr Carrington as he does with Mr Smith, who has been part of the Barrick management almost since the beginning.

Barrick's Goldstrike mine, on which it depends heavily, is surrounded by land owned and mined by Newmont Gold, the US group. Newmont sued Barrick in November saying it had violated a three-year land-use agreement between the two companies.

Newmont claims Barrick has exceeded its right to use Newmont land for disposal of ground water from mine dewatering operations. Barrick has counter-sued.



Peter Munk: sees a new era emerging for the gold industry

Mr Munk insisted this dispute did not herald a cooling of the previously friendly relationship between the two companies, one that includes the joint development of deposits split by the boundary between their land holdings.

"We have a hell of a lot more in common with one another than this small issue we are arguing about," he said. Mr Munk said technical staff from the two companies could not solve the differences and the top-level managements felt that they were not competent to make a decision, so it was being left to the court.

Kenneth Gooding

هكذا من الأصل

Takeover speculation continues although the likely cost limits the number of possible bidders

Standard Chartered share price falls back

By George Graham, Banking Correspondent

Standard Chartered, the London-based international bank, saw its share price fall back yesterday after saying it knew of no reason for a sharp rise on Wednesday.

The shares retreated to close at 636p, giving up much of their 43p gain in late trading.

Although Standard Chartered has been the object of bid speculation for months, most banking analysts believe its current price has made a takeover all but inconceivable.

Standard Chartered's position, with banking businesses in roughly 50 countries, many of them in the thriving Asia-Pacific region, would be attractive to many banks with global ambitions.

At current prices, the bank's market capital is about £6.2bn, and any takeover bid would be expected to add a premium.

Book value, however, is only around £1.6bn, leaving an acquiring bank with roughly £4.5bn of goodwill to absorb.

Mr Peter Toeman, banking analyst at ABN-Amro Hoare Govett, said: "Rather than absorb that goodwill, it might make more sense for an institution to buy a smaller bank in Hong Kong or grow its business organically."

Accounting systems vary from country to country, but this goodwill would still have to be absorbed, either in one bite from the buyer's capital account or over a number of years through the profit and loss account.

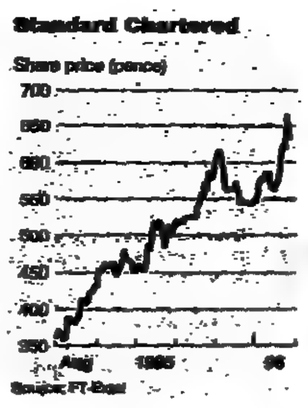
For a British bank, it would be the capital account which would suffer. Banks must maintain Tier 1 capital, principally equity and reserves, worth a minimum of 4 per cent of risk-weighted assets.

But in practice, a ratio of 6 per cent is necessary in order to satisfy the Bank of England's regulators. That means, in effect, that any bank would need to have a Tier 1 ratio of more than 10 per cent to consider acquiring Standard Chartered.

This hurdle would eliminate everyone but HSBC, but few bankers can see any logic in a bid by HSBC, whose operations overlap considerably with Standard Chartered.

The goodwill problem would not arise if a takeover were accounted for as a merger. But Standard Chartered's management has shown no indication of openness to approaches. The roster of possible bidders mentioned to justify Standard's recent elevated share price includes large banks from virtually every region: Deutsche Bank, NatWest and Bank of America have been among the imaginative suggestions.

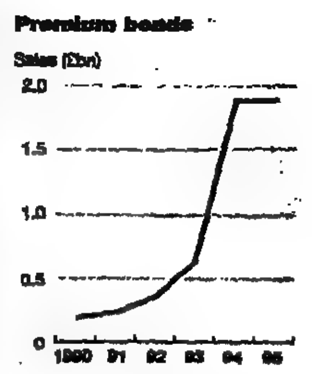
Some brokers believe, however, that the surges in the price reflect the fact that much of the company's stock is held by a relatively small number of shareholders. In addition, fund managers have been eager for stakes since the shares joined the FTSE-100 index.



Malcolm Williamson, chief executive: $6.2bn market value

LEX COMMENT

Premium bonds



Premium bonds lack the glamour of the national lottery; but they are also a less effective way of pouring money down the drain. For every £1 spent on the lottery, only half is paid back in prizes. With a premium bond, by contrast, punters are certain to get their capital back; all they are gambling with is interest. The result, inevitably, is that the rewards are commensurately unexciting. At £1m, the maximum win is well below the big pay-outs from the national lottery. And at 1:6bn for each £1 bond, the chances of winning it are even more paltry than the 1:14m chance of winning the lottery jackpot.

But do premium bonds stack up as an investment? Some think so – because the fund pays out 4.75 per cent, tax free, in prizes. For a higher rate taxpayer investing the £20,000 maximum, this is above the best building society rate, where cash is available after a week's notice, with 3.75 per cent net. Even if they never win a prize above £1,000, holders of large numbers of bonds should, on average, have little difficulty outperforming that.

The snag, of course, is that the point of putting money into a building society is to buy certainty. With premium bonds, where an investor could end up winning nothing at all, this certainty is lacking. And by reshaping the prize structure yesterday in favour of bigger prizes, the government has accentuated the risk of zero returns. It therefore makes more sense to compare premium bonds with equities – which means it makes little sense to buy them.

DIGEST

Staley shortfall will hit Tate

Tate & Lyle, the sweeteners and starch producer, warned yesterday that profits from Staley of the US, by far its biggest earner, would fall sharply this year.

"Substantially lower margins" were expected at Staley because of the high costs of maize, its raw material, and competitive pressures, Tate told its annual meeting. Hedging of maize purchases and cost reductions would help offset the pressures, but profits would be below those in 1994.

Tate's shares ended the day 8p down at 463p as some analysts downgraded their Staley forecasts. But most forecasts of group pre-tax profits were left unchanged at between £300m and £315m after Tate said results for the year to September would broadly match last time's £311m. *Roderick Oram*

Water Hall chairman ousted

In a rare show of shareholder power, a trio of brothers and their supporters have effectively ejected Mr Edward Weiss as chairman of Water Hall, the quarrying group formerly known as Starmin.

Voting by proxy prior to an extraordinary general meeting held yesterday, the three Abdullah brothers led a group of shareholders who carried the motion to oust Mr Weiss. They also passed a resolution to replace him with Mr Anthony Smith, chairman of the University of Wolverhampton. The vote followed a boardroom battle over strategy between Mr Raschid Abdullah, non-executive director and former deputy chairman, and the rest of the board. *Motoko Rich*

Woolwich doubles French loans

Woolwich Building Society, the UK's third largest, said it was doubling its presence in France by acquiring the mortgage portfolio of Midland Bank's French subsidiary. Mr John Stewart, operations director, said the acquisition would lift the value of its French home loans to about £1.5bn ($2.3bn).

It follows the 1991 deal in which the society formed Banque Woolwich by acquiring the branches and operating assets of Banque Immobiliere de Credit from Midland. Since then, it has administered Midland's French home loans portfolio for a management fee.

Holliday shares fall on warning

By Peter Pearse

Shares in Holliday Chemicals fell by more than a quarter in value yesterday as the speciality chemicals group announced that 1995 profits would fall below market expectations.

Analysts cut their forecasts for 1996 profits from about £23m-£24m to £14m ($21.6m).

Holliday's warning was the latest in a series of downbeat statements from chemicals companies including Albright & Wilson, Allied Colloids, British Vita, Laporte, W Canning, and Yorkshire Chemicals.

They have blamed sharply increased raw material prices, the inability to raise selling prices and softening in demand as a result of destocking.

One chemicals analyst said that forecasts for half the companies in the sector have had to be revised downwards. Share price falls in the sector yesterday included British Vita – down 15p to 199p; and Yorkshire – down 22p to 282p.

Holliday's warnings prompted a 45p fall in its share price to 119p.

It said underlying pre-tax profits for 1995 would be £15.4m, against £19.3m in 1994. This was due to the rise in raw material prices, mostly felt during the second half. There would also be one-off costs of £3.3m.

Unitech advances 45% helped by buoyant Japan

By Tim Burt

Unitech, the international electronic components and controls group, yesterday reported a 45 per cent increase in first half profits amid buoyant Japanese demand for its power supply equipment.

Pre-tax profits rose from £15.8m to £22.9m ($35m) as sales improved 20 per cent to £207.2m in the six months to November 30.

Mr Peter Curry, chairman, said the improvement had been fuelled by rising orders from Japanese manufacturers as they increased investment overseas.

Most of those orders were placed with Nemic-Lambda, Unitech's jointly-owned Japanese subsidiary, whose contribution to Unitech's pre-tax profits rose 57 per cent. That helped lift profits in the power supplies division, the group's largest, by 34 per cent to £19.9m at constant exchange rates.

This contribution offset a more modest performance in Unitech's two smaller divisions. The connectors business overcame weak sales in France to raise profits but control products saw profits decline as the sluggish UK construction and property market restricted sales.

Together, the three divisions contributed operating profits of £24.6m (£18.1m).

Mr Curry, however, sounded a note of caution by admitting that European sales growth had faltered in the second quarter. If that trend continued, he predicted, the gap could widen between the power supplies division and its smaller siblings – especially if sales in Asia Pacific gathered pace.

His cautious outlook comments prompted a 10p fall in the shares to 499p.

Earnings per share rose from 11p to 14.6p and an interim dividend of 2.98p (2.57p) is declared.

International restructuring charge leaves Danka lower

An exceptional charge of £5.9m ($9m) for restructuring its international operations hit Danka Business Systems, the acquisitive office equipment supplier, in the third quarter.

Pre-tax profits for the three months to December 31 were £10.2m, against £11.5m, on turnover of £213.5m (£128.7m), which included a contribution of £63.5m from acquisitions. For the nine months the pre-tax figure was £37.1m (£32.6m) on sales of £543m (£366m).

Mr Daniel Doyle, chief executive, said internal growth at the core copier operations in the quarter was 10 per cent. The group expects the acquisition of the Netherlands-based Infotec to be neutral to earnings in the fourth quarter, because of investments in advertising and training and the establishment of a European headquarters.

Danka, which announced a £100m placing on Monday, yesterday said it had secured an enlarged $400m (£260m) multi-currency revolving line of credit to repay outstanding loans and help support its growth strategy.

Government sells last BAA holding

By Antonia Sharpe

The government yesterday raised about £145m ($223m) from the sale of its residual 2.9 per cent stake in BAA, the UK's largest airports operator.

The disposal follows the sale in December of the government's remaining 1.8 per cent shareholding in British Petroleum, which raised £500m.

Both sales were organised by NM Rothschild, which has been advising the government on the disposal of £1.2bn worth of shareholdings in 30 privatised companies. All the stakes are expected to be sold by March 1997. Of the 28 remaining investments, the biggest in terms of value are a 2.22 per cent stake in National Power, worth about £109m, and a 2.29 per cent stake in PowerGen, worth £85m.

The biggest holding as a percentage of a company's share capital is the 13.89 per cent stake in Mersey Docks & Harbour, worth about £32m.

Rothschild invited a limited number of banks to take part in a competitive tender early yesterday. Merrill Lynch, the international investment bank, won the mandate by bidding 491½p a share, representing a discount of just 0.56 per cent to Wednesday's closing bid price of 494p.

● Midland Bank yesterday raised £124m by selling its remaining 5.25 per cent stake in 3i, the venture capital company.

Building societies margin war seen

1995 could be the last year of consistent growth. **Alison Smith** reports

A looming margin war between building societies is likely to hit 1996 profits, according to UBS, the stockbrokers. It said that 1995 was likely to be the last to see consistent growth in pre-tax profits among the largest societies.

Mr Rob Thomas, UBS societies analyst, believes that moves by some societies to enhance rates to customers at the expense of profits will force others to do likewise.

The maintenance of margins – in general at levels scarcely lower than in 1994 – has been one of the main factors behind the profit growth among the larger societies for 1995. This contrasts with the diminishing importance of falling provisions for bad and doubtful debts in boosting profits.

Mr Thomas identified three broad groups among the larger societies: those such as Yorkshire and Coventry, which have reported consistent year-on-year growth in pre-tax profits and so do not show spectacular rises; those which are still benefiting from sharp falls in bad debt provisions, such as Alliance & Leicester and National & Provincial; and those such as Northern Rock and Birmingham Midshires, whose performance is driven by strong asset growth.

For 1996, however, it is already clear that the move towards enhancing rates for customers will depress profits. The last time this happened across the sector was on a less voluntary basis in 1992, as lenders had to increase their bad debt provisions.

Yorkshire believes its scheme will cost £20m this year, while Bradford & Bingley, which announced its plans this week, estimates its profits will be down £50m.

Other societies, notably Nationwide (which does not appear in the table because it has an April year-end) and Britannia, have also committed themselves to programmes of improving their mortgage and savings rates, but as yet have not set out details of these schemes.

Mr Thomas believes that these moves will mean that other societies which do not intend to become public limited companies either by floating or by being bought will have to produce similar plans, to demonstrate the value of mutuality to their customers.

He believes that all the larger societies, including those often seen as weaker performers, have the capacity to offer customers some form of enhanced rates, because of the strength of their capital ratios, which they could allow to fall back for a couple of years.

He argues that in some ways the trend towards "hairshirt mutuality" poses more difficult questions for the fast-growing societies which say they are committed to remaining mutual, such as Northern Rock and Birmingham Midshires.

The climate of opinion could change in a way that would make pre-tax profit rises of 25 per cent or 19 per cent look excessive, but, at the same time, these societies need the retained profit to fund their balance sheet growth.

Some believe the question of improving rates will spread beyond societies to other mainstream lenders, when the detailed plans from Nationwide, the third-largest lender and second-largest society, are known.

Without such a move, banks and societies which are intending to become plcs – Halifax, Woolwich and A&L – are unlikely to come under similar pressure to change their rates.

While some of the forecast asset growth in the UBS table has come from acquisitions, in general, the figures suggest the larger societies have grown faster than the 4 to 5 per cent increase in the mortgage market as a whole.

BUILDING SOCIETIES' PROFIT FORECAST, 1995*

	Forecast pre-tax profit	Previous year's profit	Year-on-year change %	Forecast net interest margin	Forecast interest-bearing asset growth %	Forecast bad Debt provision charge (£m)
Halifax	1,250	975	N/A	2.2	N/A	120
Woolwich	350	303	+16	2.1	+7	40
Alliance & Leicester	335	284	+18	2.5	+9	10
Bradford & Bingley	161	160	+1	2.0	+6	15
National & Provincial	158	134	+18	2.2	+1	28
Northern Rock	148	118	+25	1.9	+14	[illegible]
Britannia	115	101	+14	2.0	+5	25
Yorkshire	83	79	+5	2.0	+5	7
Bristol & West	70	57	+23	1.8	+4	28
Birmingham Midshires	62	52	+19	2.0	+27	6
Coventry	41	40	+3	1.9	+5	5

*All year-end 31.12.95 except Halifax (31.1.95). Figures for Halifax are not comparable with previous year due to merger with Leeds Permanent on 1.8.95. Source: UBS

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Barbour Index	6 mths to Oct 31	6.59	(8.58)	1.57	(1.93)	6.2	(7.7)	3	Apr 8	2.85	-	9
Churchbury Estates	6 mths to Sept 30	2.11	(1.8)	1.84	(1.49)	†2.5	(11.4)	-	-	-	-	-
Danka Business	9 mths to Dec 31	[illegible]	(384.7)	37.1♦	(32.6)	13.3†	(11.7)	-	-	-	-	1.8
Goodhead	6 mths to Nov 30	15.3	(13.5)	0.451	(0.076)	0.8	(0.1)	0.05	Mar 5	nil	-	0.05
Jasmin Φ	6 mths to Sept 30	3.01	(2.42)	0.158	(0.08)	3.75	(2.21)	-	-	-	-	-
Lookers	Yr to Sept 30	398.9	(396.7)	6.39♦	(7)	15.2	(19)	5.4	Apr 30	5.1	7.9	7.5
ML Labs §	Yr to Sept 30	1.14	(0.810)	3.4L	(2.28L)	2.5L	(1.7L)	-	-	-	-	-
Proteus Intl §	6 mths to Sept 30	0.030	(-)	3.62L	(3.67L)	11.06L	(11.94L)	-	-	-	-	-
Scottish Pride Φ	6 mths to Sept 30	68.1	(-)	0.03L	(-)	0.1L	(-)	-	-	-	-	-
Unitech	6 mths to Nov 30	207.2	(172.7)	22.9	(15.8)	14.6	(11)	2.98	Apr 1	2.57	-	7.55
Wiggins	6 mths to Sept 30	2.08	(1.84)	0.366▼	(0.172)	0.074	(0.035)	-	-	-	-	-
Wood (John D) §	6 mths to Oct 31	3.65	(3.69)	0.231	(0.301)	1.8	(2.3)	0.75	Mar 7	0.75	-	2

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Govett American	6 mths to Dec 31	215.3	(165.38)	0.084	(0.028L)	0.34	(0.1L)	-	-	-	-	-
Murray Intl	Yr to Dec 31	395.9	(329.7)	18.2	(16)	13.67	(13.47)	3.9	May 24	3.9	12.6	12
Witan	Yr to Dec 31 ★	290.8	(251.7)	25.4	(24.9)	6.78	(6.65)	3.5	Mar 14	3.4	6.45	6.1

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. †On increased capital. ♦After exceptional charge. ▼After exceptional credit. ΦAim stock. §USM stock. ★Comparatives restated.

JOBS: Europe is looking to the US as a model, but some Americans question its value

Mixed messages across the big pond

The free-wheeling American labour market model has won increasing admiration from public policymakers in Europe as they continue to wrestle with registered mass unemployment that is much higher than across the Atlantic.

It is praised for its apparent flexibilities that provide American employers with an unquestioned right to hire and fire at will and thereby make it easier for them to create jobs and keep down the unemployment level.

Moreover, US companies are said to be able to respond much faster than their European competitors to changes in the global economy to create high performance workplaces because they operate in more deregulated labour, as well as financial and product, markets

By contrast, the social market economies of continental Europe are castigated for perpetuating over-generous welfare benefits and legal employment protections, along with top-heavy state bureaucracies and over-mighty trade unions that obstruct the growth of employment opportunities.

As David Marsden at the Centre for Economic Performance at the London School of Economics argues*, the "compromises on which the post-war European model was built have been shaken". "Tripartism, industry-wide bargaining and employee participation have all been challenged as obstacles to swift adaptation to shifting markets and hence as a cause of declining competitiveness of European industries and of high unemployment", he says.

In these bleak circumstances, it is perhaps no surprise that the US model to many seems more alluring. But not all Americans are enthusiastic salesmen for the way their labour market works. A new book has just been published** by the centre-left think-tank in Washington, the Economic Policy Institute, that warns Europeans not to be seduced by what it believes are the superficial attractions of the US model.

It is particularly unimpressed by the claim that the US has enjoyed phenomenal job growth since the early 1980s. "This has become a policy cliché on both sides of the Atlantic", says Jeff Faux, the institute's president. The book argues that, in fact, employment expansion in the US was lower over the past decade than in the other leading nine western industrialised economies, and a much greater share of US job growth was "driven by increases in population than in increases in the portion of the population that was working".

Faux points out that both Australia and Canada enjoyed greater jobs expansion than the US over the period, although those two countries are "generally more regulated, have higher rates of unionisation and more generous welfare systems". Moreover, he adds the US jobs performance was actually superior in the 1970s than in the 1980s compared with Europe when "the US welfare state was at its most expansive".

Nor is the institute impressed by the argument that the US has more competitive labour costs than those of the European Union countries. It calculates lower labour costs are mainly due to the decline in the dollar's value. But the book's main criticism is that the US labour market model has been based on "the deterioration of the standard of living of most Americans over the last 15 years".

Larry Mishel, the institute's research director, argues: "The core problem facing working Americans is the long-term erosion of their ability to obtain and keep good jobs that sustain middle-class incomes."

Wage inequalities have also continued to grow during the 1990s while the real pay of high school graduates, blue-collar workers and men have gone on falling. The only group of employees to escape from the downward pressure on real wages have been those with advanced or professional degrees involving an education beyond a four-year college degree.

Robert Reich, President Clinton's labour secretary has made a mantra out of the call for more education and training to make US workers more skilled for high performance workplaces. But the education levels of workers are rising as their wages are falling.

It is estimated 20 per cent of college graduates are working in jobs that do not require any higher education, and it is estimated an even larger proportion of graduates will be under-employed by the end of the century. As a result, the wages of non-college educated workers are being squeezed and the employment opportunities open to them are less well paid and secure.

The problem is not, however, that "a small group of unskilled workers are undergoing a painful adjustment to the new economic order", but that the wages, benefits and working conditions of three-quarters of the workforce without a college degree are being driven down. "Now this trend is spreading to white-collar and college-educated groups, the beneficiaries of the new economic order are even harder to find", concludes Mishel.

Such analysis has led Americans who think like him to look enviously at what they see as the superior virtues of the European model with its co-ordinated pay bargaining, high minimum wages, greater earnings equality and generous unemployment benefits that act as a counterweight to the downward pressure on the real pay of workers at the bottom of the earnings table, plus the dangers of social deprivation, racism and political extremism.

However, cogent criticism of the US model by American labour economists should not lead them to believe all is well with the European social market. A paper*** presented earlier this month to the Organisation for Economic Co-operation and Development by Prof Richard Layard and other colleagues at the LSE's Centre for Economic Performance suggests some policy options that may help reduce European unemployment without dismantling basic protections for employees.

As many in the centre are close to Tony Blair's Labour party, its ideas are likely to attract growing interest in the months ahead. Layard and his colleagues believe it should be the role of governments not to pursue "flexibility" so much as "active labour market policies". This would involve imposing two new "obligations" on European governments if the social chapter of the European Union is "to contribute to lower unemployment".

First, young people must be "prevented" from ending their education "until they have acquired basic literacy, numeracy and vocational competence". Even more controversially, the centre wants governments to ensure nobody remains unemployed for over 12 months.

This would require a radical approach to the jobs/welfare system, with an end to long-term unemployment benefits in return for the guarantee of a job or a training place to the jobless concerned. "When people enter unemployment they need to understand there will be no possibility of an indefinite life on benefits," argue Layard and colleagues.

Such labour market reforms are clearly coercive and would restrict individual freedom. But as the US model suggests, there is an even bigger price to be paid in deregulation that is borne by the most vulnerable employees, with plummeting real pay and declining living standards.

* *The current special 1995 issue of Labour: Review of Labour Economic and Industrial Relations from Blackwells, annual subscription £56.*

** *Beware The US Model: Jobs and Wages in a Deregulated Economy, edited by Laurence Mishel and John Schmitt, Economic Policy Institute, 1660 L Street, Suite 1200, Washington DC. 20036, $24.95.*

*** *Combating Unemployment: Is Flexibility Enough? by R. Jackman, R. Layard and S. Nickell for OECD Conference on Interactions between Structural Reform, Macroeconomic Policies and Economic Performance. 18-19 January 1996.*

Robert Taylor

HSBC Asset Management

Member HSBC Group

Head of European Marketing Services

London — **Excellent Package**

HSBC Asset Management is the global investment management business of the HSBC Group, one of the world's largest banking and financial services organisations. With global funds under management exceeding US$32bn, the company enjoys a strong reputation for fund performance, innovation and quality of service. The London-based Client Investment Services (CIS) team plays a critical role in developing and maintaining relationships with institutional clients throughout Europe. Responsive, high quality marketing services are key to the company's success.

As a member of the European Executive Committee, the Head of Marketing Services manages a nine-strong team and has overall responsibility for the production of informative and distinctive marketing materials, presentations and consultants' questionnaires. The appointed candidate must quickly develop a detailed understanding of the marketplace, working as part of the CIS team to tailor marketing materials to client needs.

Candidates must be high calibre graduates with at least five years' relevant financial services experience in fund management, investment or management consultancy, banking or corporate finance. Strong people and project management skills are essential, along with numeracy and IT/spreadsheet literacy. We are looking for good communication skills, imagination, energy and a "can-do" attitude.

This is a fast-moving, non-hierarchical and performance-oriented environment offering first rate career development opportunities for those with ambition and ability. The remuneration package includes the full range of financial services benefits, and will reflect the senior nature of the role.

Please send a full CV in confidence to GKRS at the address below, quoting reference number 488J on both letter and envelope, and including details of current remuneration.

GKRS

SEARCH & SELECTION

CLAREBELL HOUSE, 6 CORK STREET, LONDON W1X 1PB. TEL: 0171 287 2820.

A GKR Group Company

Senior Management

World Class business and technology consultancy

Six Figure Package — **London**

Our Client, one of the world's premier business and technology consultancies, provides fully integrated solutions to business problems for its many multinational clients. Covering all industry sectors, they have an unrivalled track record of providing tangible results and competitive advantage. A rare opportunity has arisen for a senior individual with Financial Markets expertise to join their management team. Key criteria for this position will include:

- Financial Markets, Investment Banking and Securities background with particular expertise in back office processes and technologies.
- The ability to project manage multi-million pound projects and associated resources.
- Proven business development and client management skills.
- An entrepreneurial approach with the competence, gravitas and interpersonal skills appropriate to a position of this profile and seniority.

Probably aged mid 30s, candidates will be high calibre graduates with a minimum of 7 years' IT experience gained within the Financial Markets arena with either a leading financial institution or consultancy. You will display technical excellence and rapid career progression to date. This is a challenging and demanding role; candidates must be capable of making full partner in the most rigorous and exacting of environments.

If you believe you have the necessary experience, skill sets and flair then please write enclosing an up to date Curriculum Vitae, including daytime telephone number and salary details to the advising consultant, Jonathan Kidd, at Harvey Nash Plc, 13 Bruton Street, London WC1X 7AH. (Tel: 0171 333 0033) quoting reference HNF128.

HARVEY NASH PLC

Attractive Salary & Banking Benefits • London & Edinburgh

SPECIALISED LENDING SERVICES – STRUCTURED FINANCE

The Royal Bank of Scotland is one of the most progressive and successful financial services organisations in the UK. Specialised Lending Services is a highly regarded division within the Bank and has responsibility for a substantial loan portfolio. Its growing reputation is founded on an ability to deliver a range of financial solutions to different funding situations.

DEVELOPMENT CAPITAL

We are looking to recruit three specialists with equity-related experience. Two positions are based in London, one in Edinburgh. These are stimulating and professionally-rewarding roles, which offer the opportunity to maximise your creative problem-solving skills within a highly specialised environment.

The roles involve evaluating the trading prospects for under-performing businesses and proposing innovative solutions to our customers' funding requirements. You will bring a broad base of development capital and banking experience to enhance our position and invest, where appropriate, in external restructuring opportunities.

Your experience could have been gained in either a transaction or advisory capacity (including accountancy firms), and we are particularly keen to hear from those from a corporate finance, investment banking, investment analysis, fund management or venture capital background. In addition to an ability to think laterally, strong interpersonal skills, good commercial awareness and a commitment to delivering results through teamwork are all essential attributes.

In return, you can look forward to a highly attractive remuneration package that includes bonuses and the full range of banking-sector benefits.

To apply for either of the London positions, please send a full CV to Anthony Jones, Career Plan Limited, 33 John's Mews, London WC1N 2NS. Tel: 0171 242 5775. Fax: 0171 831 7623.

To apply for the Edinburgh position, please send a full CV to Scott Black, Finlayson Wagner Black Limited, 19 Alva Street, Edinburgh EH2 4PH. Tel: 0131 539 7087. Fax: 0131 539 7086.

Committed to Equal Opportunities

The Royal Bank of Scotland

WHERE PEOPLE MATTER

Price Waterhouse

EXECUTIVE SEARCH & SELECTION

Credit Risk Analysts

c.£35,000 Package West Midlands

About Us

We are a leading business unit within a high profile British plc with a turnover in excess of £3.5 billion. We are involved in the transportation and distribution to domestic and commercial customers in the UK. An imminent step change in the industry scheduled within the next two years has precipitated the creation of a credit risk management function to evaluate, monitor and control exposure to financial loss from third parties.

Our Future

... will be exciting and challenging. The programme of change we are undergoing will put us significantly ahead of our competition. We are a brand leader and we see successful risk management as critical to the development of our business. We have a small number of customers with very significant exposures.

Our Style

Direct, open and hands on: We are a young culture which places great emphasis on team working and we spend time and money on developing our people.

The Positions

These are new posts within a new unit. We need flexible team players who are flexible to design and develop systems and reports from a blue print which will measure exposure against limits, prepare risk analyses for business cases and review customer credit agreements. Experience of working with a variety of information sources, not all in the public domain, is essential as is proven experience of financial modelling for products and industries.

The ability to think laterally in a rapidly changing environment is a key criteria. It is anticipated that we shall need two analysts to work on Exposure Measurement and two to work on Monitoring and Risk Assessment. All positions report direct to the Risk Manager.

You

... are likely to be an analyst working possibly in a bank or a major plc. Alongside strong analytical ability you should be experienced in negotiation, customer management and commercial pricing. Our work will be project driven and you must be comfortable with playing differing roles in project teams. You will have a good degree plus a minimum of five years as an analyst, ideally in a capital intensive industry such as petrochemicals, but this is not as important as a genuine interest in our industry and excitement at the scope of the task in hand. We would particularly welcome applications from Analysts working in the City who are interested in relocating.

Next Step

Please write to our consultant Jenny Mayes quoting reference G/0069. Alternatively if you would like a conversation regarding your suitability for these positions, please call her on 0121 200 3000.

Executive Search & Selection,
Price Waterhouse,
19 Cornwall Court,
Birmingham B3 2DT

IT Banking Consultant

UP TO C£60,000 + BANKING BENEFITS

Data Warehousing

London Based

European Bank for Reconstruction and Development

Based in London the European Bank for Reconstruction and Development (EBRD) has a unique challenge: to assist the countries of central and eastern Europe and the former USSR in their transition to market economies. With major investment from most European countries and from many other countries worldwide the EBRD is ideally positioned to meet its challenges. The EBRD supports projects in the recipient countries through funding, taking equity positions, and providing technical assistance.

We are looking for an outstanding professional with the vision to see IT in a business context and the inspiration to develop solutions to our business needs. An integral part of our IT strategy is the implementation of Executive Information Systems based upon the concepts of Data Warehousing. With overall responsibility for this implementation you will need an understanding of the complete business processes, identifying their needs and formulating strategies for change. From this you will develop the best and most cost effective IT solutions which addresses the requirements of the business processes and satisfies the overall IT strategy.

You will also be responsible for selecting, evaluating, and negotiating with third party organisations for the supply of the most applicable products and services available. By working closely with suppliers and business units you will take on the full project management responsibility for development and implementation of the Data Warehousing system.

To meet the challenges of this senior position you will have significant experience in the following areas:

- Practical experience of designing, developing and implementing EIS/Data Warehousing systems using relational databases, ideally in a banking environment.
- Commercial or investment banking gained directly or through specialised consultancy organisations or software houses.
- Implementing new or changing existing business processes.
- Design and project management of IT systems including budget and cost control.
- Management of third party suppliers of IT systems including tendering, selection, contract negotiations, quality and cost.

As an international, multicultural organisation we are especially interested in applications from foreign nationals who have good English language skills as well as the experiences described above.

The opportunity to develop your career is complemented by a highly attractive salary, full banking benefits, and a comprehensive relocation package when applicable.

To apply please telephone Bob Sheward or send your CV in English to him, quoting reference number FT/468/1299, at McCourt Consultants Limited, 66-68 St. Mary's Butts, Reading, Berkshire, England RG1 2LG.

Telephone: .... 44-(0)1734 509441
Fax: .... 44-(0)1734 567536
Evening/Weekends: .... 44-(0)973 383245
e-mail: .... 100634.1457@compuserve.com

MCL

McCOURT CONSULTANTS LTD

ENRON DEVELOPMENT CORPORATION

PROJECT DEVELOPMENT ANALYST

Enron Development Corp. is a subsidiary of Enron Corp., one of the largest integrated natural gas companies in the world with an asset base of approximately $14 billion and more than 7,000 staff. Enron has achieved compound annual earnings per share growth of 20% since 1990 and continues to pursue a programme of dynamic expansion. EDC works on international project development.

The Company is seeking a Project Development Analyst to assist in the development and financing of natural gas and power capital projects in Europe. Based in London, the Analyst will assist developers in analysing project feasibility, in proposal preparation and in structuring the technical, commercial and financing aspects of project deals. Particular emphasis will be placed on developing economic models Lotus 1-2-3 based for each project. This multi-disciplinary modelling task requires that the Analyst be able to intelligently obtain relevant information from all functional areas that impact the project economics, including; engineering, construction, tax, financing and other speciality areas.

A highly motivated, self-starter, the successful candidate will most likely possess a degree with 1-3 years experience in industry or financial services. Financial modelling experience is essential. The individual must also be capable of assuming greater development responsibilities in the future.

Enron offers a competitive salary and flexible benefits package which includes pension, medical and dental cover. Other benefits include a share ownership plan.

Interested parties should send a detailed CV with current salary package to the Human Resources Department, Enron Capital & Trade Resources, 4 Millbank, London SW1P 3ET

Closing date for applications: Wednesday 7th February 1996

Euro London Appointments

BANKING WITH LANGUAGES

CREDIT ANALYST - FLUENT GERMAN £25 - £30K + PKG

Leading European Bank is currently seeking an Analyst with min. 2 years experience with a Bank or Finance House. Responsibilities will include the analysis of both Corporates and Financial Institutions so experience in analysing either or both of these areas is desirable.

SWAPS SETTLEMENTS OFFICER - FLUENT GERMAN C£25K + PKG

Exceptional opportunity for applicants with min 2-3 yrs exp. within Derivatives. Great position for all-rounder who has gained experience in Options, Caps and Floors. Lots of variety involving close liaison with the dealers! Knowledge of DEVON and MIDAS advantageous.

COMPLIANCE OFFICER C£30K + PKG

Reporting directly to the Head of Risk, you will be responsible for the regulation of all business under SFA rules. You will have min 2-3 yrs exp. in a Banking environment and must be SFA registered. Knowledge of German advantageous though not essential.

DOCUMENTARY CREDITS - FLUENT FRENCH, GERMAN OR DUTCH

Several temp to perm opportunities have arisen for candidates with prior experience in International Trade! You will have spent at least 6 months working within the Trade and Finance area of a Bank and be familiar with all aspects of Letters of Credits. Lots of liaison with international clients therefore excellent interpersonal skills a must!

EURO LONDON APPOINTMENTS
Tel 0171 583 0180 Fax 0171 353 9849
Hare Place, 47 Fleet Street, London EC4 1BJ

The Top Opportunities Section

Advertise your senior management positions to Europe's business readership.

For information please contact:

Will Thomas

+44 0171 873 3779

MARKETING EXECUTIVE (EUROPE)
INSTITUTIONAL FUNDS

LEADING INSTITUTIONAL ASSET MANAGEMENT GROUP

Our client is a leading International Investment Group, with an outstanding record of performance in managing assets totalling in excess of £60 billion on behalf of its clients, of whom at least two thirds are domiciled outside the UK. As a result of continuing business growth, the Group is seeking to appoint an additional European Marketing Executive to join its well established and highly successful International Marketing team.

THE ROLE

You will be responsible for marketing the Group's International Investment products to a diverse range of potential clients within a specific regional sector. You will work closely with fund managers in preparing for new business presentations and will contribute to the development of new investment products.

QUALIFICATIONS

You will have a proven track record of success in a similar role with a minimum of three years experience. You will have a good degree and be fluent in at least one additional European language. Ideally you will have had some experience of managing money. You will be energetic, self-disciplined, possess drive and initiative and be happy to travel frequently.

THE REWARDS

A highly attractive salary and bonus are offered, together with a generous benefits package. For ambitious and successful individuals long term career prospects are exceptional.

Please reply by letter or fax with a current CV and indication of current salary to:
KW Selection, 140 Park Lane, London W1Y 3AA.
Fax 0171 355 1521 quoting reference EME/CI

KW SELECTION

A Knight Wendling Company

MANAGING DIRECTOR

Excellent Package — **Prague**

This is an exciting opportunity to expand the activity of an investment banking company in Prague which benefits from substantial financial backing by a diversified holding company. Present activities include debt and equity issuance, broking and dealing, corporate finance advice, capital raising, venture capital and asset management. The new Managing Director will build on this foundation and develop the company's international business.

The Position

- High profile, autonomous position offering outstanding reward for success.
- Responsible for fostering profitable growth and strategic development.
- Reporting to the holding company board.

The Requirements

- Preferably 7-10 years' experience of investment banking and capital markets.
- Any nationality although fluency in Czech required.
- Should have worked in a major international financial centre.

Please send your CV with current salary details to: Patrick Alexander, K/F Associates, 252 Regent Street, London W1R 6HL, quoting ref: 6979/A, or alternatively by e-mail to cv@kfaeurope.com

Internet Home Page address: http://www.kfaeurope.com/kfaeurope/

K/F ASSOCIATES

KORN/FERRY CARRE/ORBAN INTERNATIONAL

BRIDGE

Excellent Performance-Related Packages — **City**

Bridge Information Systems and Bridge International Broking are part of Global Financial Information Corporation, a leading provider of on-line information and transaction products for investment professionals worldwide. Bridge, a wholly-owned subsidiary, provides comprehensive and timely fundamental data combined with advanced technical graphics and extensive analytical displays. Bridge International Broking offers its worldwide institutional clients a natural source of liquidity, timely investment information and non-biased agency execution. Continued growth of its global product line has resulted in a select number of exciting opportunities.

Bridge Information Systems
Sales Executives — Ref FS60109

THE POSITIONS
- Identify and grow sales in existing and prospective clients.
- Ability to plan and administer marketing, sales and profitability of assigned and new relationships.
- Self-starters with potential to market aggressively a sophisticated and technical product range.

QUALIFICATIONS
- Proven sales performance in this or related industry or professional investment community.
- Graduates with financial industry experience in a major financial market.
- Bridge competency and European language preferred.

GFI — Bridge Information Systems, Inc. / EJV Partners / MarketVision Corporation / GFI Network Services

Bridge International Broking
Sales/Analyst — Ref FS60108

THE POSITION
- Provide rigorous technical analysis on UK and European equities.
- Sell Bridge's trading capability to American and European client base. Work closely with trader.
- Key member of small team. Individual accountability high. Extensive travel.

QUALIFICATIONS
- Graduate with minimum two years' analysis experience in UK or European equities. Knowledge of US investment market preferred.
- Rigorous analytical ability, probably with formal qualification. Registered representative.
- Excellent numerical and commercial skills. Fluent, confident communicator. Able to develop investor base.
- Bridge competency and European language preferred.

Please send full cv, stating salary and quoting relevant reference, to NBS, 10 Arthur Street, London EC4R 9AY

N B SELECTION LTD, a BNB Resources plc company — NBS

City 0171 623 1520 • London 0171 493 6392

Aberdeen • Birmingham • Bristol • City • Edinburgh • Glasgow • Leeds • London • Manchester • Slough • Madrid • Paris

International Credit Inspector

AN EXCEPTIONAL OPPORTUNITY FOR CAREER DEVELOPMENT

Spanish Speaker — *London Based*

One of the UK's leading financial services providers, Abbey National PLC, is seeking an International Credit Inspector to take responsibility for reviewing the credit of its Continental European subsidiaries in France, Italy and Spain.

The position will be based in London and will involve significant travel, especially to Madrid. You will act as the focal point for reviewing the credit administration and policy of all three entities, for reviewing the quality of the various loan portfolios and for verifying the approval process for individual loans and assessing the quality of credit and credit administration for each unit inspected.

You will have a strong background in credit inspection within a branch banking environment, although this may not be the job you perform today. You will speak Spanish well enough to be able to understand written credit presentations in the language.

In return, we offer an attractive salary and discretionary financial sector benefits. A valued member of an innovative and professional team, you will be encouraged to develop your career at Abbey National and build on your knowledge and experience.

If you're a committed team player, looking for a fresh challenge, please write with career details to our consultant, Patrick Fearon, TASA International, 15 Carteret Street, London SW1H 9DJ.

In pursuing our policy of equality of opportunity for all, Abbey National positively welcomes applications from every section of the community.

ABBEY NATIONAL

Promoting Success Through Equality

ECONOMIST
(2 Positions)

Russian Federation

The U.S. Treasury Department provides technical assistance and policy advice to senior officials of the Russian Federation. Treasury is recruiting two (2) economists for resident assignments (up to 2 year) to the Russian Federation, to be posted in Moscow.

The first advisor (macroeconomist) will provide analysis and policy advice on medium term macroeconomic issues facing the Russian economy, and will help build a capacity to address such issues within the Russian Ministry of Finance. Such advise will inform decision makers in the budget process of the impact of the economy on the budget process, and the impact of the budget on the economy. Ideally, the Advisor will have a background in balance-of payments analysis. The Advisor may also assist in the structuring and obtaining of valid and reliable data to support decision systems. The second advisor (budget policy) will assist the Russian Ministry of Finance in developing and improving economic indicators to be used by decision makers. The Advisor will define the data needed by the Ministry to enhance its economic information, and help develop new sources of economic information.

Applicants should be self-starters. Prior overseas work experience in challenging environments and knowledge of the Russian language would be distinct advantages. While technical skills are essential, the abilities to gain the confidence of host officials had provide sound but realistic advise will determine ultimate success. A Master's degree in economics or a related field is required for both positions.

Salaries are negotiable to the maximum amount set for comparable government salaries for the two positions as follows: Fist position (macroeconomics)- $92,900, second position (budget policy advisor)- $92,900. Salaries will be negotiated in accordance with program regulations, and be based on demonstrated salary history, not to exceed the maximum indicated. Fringe benefits will be provided in accordance with program regulations. U.S. citizenship is required. Applicants must submit a cover letter specifying preferred position and U.S. Government Standard Form SF-171 (or Optional Form OF-612) within 21 days of the appearance of this notice to: Department of the Treasury, Procurement Services Division Room 1436, Attn.: WTB/Debt, 1500 Pennsylvania Avenue, N.W., Washington D.C. 20220. Only successful candidates will be contacted; application materials will not be returned.

The U.S. Government is an Equal Opportunity Employer.

hefce — Higher Education Funding Council for England

D/EE — Department for Education and Employment

BOARD MEMBERS

A limited number of vacancies exist on the Board of the Higher Education Funding Council for England

The Higher Education Funding Council for England was established on 1 April 1992 to promote high quality, cost-effective teaching and research in higher education. It advises the Secretary of State on the funding needs of higher education, and distributes available funds to institutions. It operates under the guidance of a Board of 12 to 15 members including the Chairman and the Chief Executive.

- *Appointments, usually for terms of three years, are made by the Secretary of State for Education and Employment.*
- *Members attend monthly Board meetings and also serve on a number of Committees. The time requirement for Board members varies, but it is expected that this would be, at minimum, about 20 days per year.*
- *Meetings take place alternately in London and Bristol. Travel and other expenses can be claimed.*
- *The positions are unsalaried, but Board members receive a taxable honorarium of £4,000 per annum.*

Candidates may have an academic, business or professional background. Applications are particularly welcome from holders of senior academic or administrative positions, who need not necessarily be heads of institutions, and from active senior industrialists.

Further information on the work and constitution of the Funding Council can be obtained from:
Pam Penlonan,
Clerk to the Council, Higher Education Funding Council for England, Northavon House, Coldharbour Lane, Bristol, BS16 1QD.

Expressions of interest in the form of a letter explaining what applicants believe they could offer as HEFCE Board members and short supporting c.v. should be sent by 16 February 1996 to:
Gudrun Groves,
Room 1C7, Department for Education and Employment, Sanctuary Buildings, Great Smith Street, London SW1P 3BT.

SENIOR TRADER
EUROPEAN CURRENCY MARKETS
Tokyo

Our Client is a major European Bank that is undergoing significant global growth.

The role will involve trading the European Money Market Portfolio both on and off-balance; expanding and developing the existing USD and JPY off-balance sheet money market activity; communicating and liaising with other branches and supervision of junior staff.

Candidates will have a minimum of 5 years trading money products, both as market makers and strategic positioners. DM FRA experience is preferred. They should have a strong educational background, be a motivated team player and possess strong communication skills. Familiarity with financial markets in Asia time zones and/or working experience in Japan would be an advantage.

An excellent remuneration package including benefits and a very significant bonus potential is available for the successful candidate. For an initial discussion in confidence please call us quoting JO1/96 at 20 Cousin Lane, London EC4R 3TE. Telephone: 0171 236 7307 or Fax: 0171 489 1130.

STEPHENS SELECTION

Major European Bank

FOREX SENIOR DEALER
Hong Kong

The Client :
A leading European Banking Group seeking to recruit a highly qualified Exchange Senior Dealer for their Hong Kong Branch.

The Position :
- *Develop a wider trading of European currencies within a global 24 hours Forex - trading network.*
- *Reports directly to the Head of Treasury Group.*

The Person :
- *Graduated from either university or business school, or engineer school.*
- *At least 3 years experience in forex spot markets acquired in a major bank or a large corporation.*
- *Fluent in English : knowledge of French is advantageous.*
- *Strong interpersonal and communication skills.*
- *Should be highly self-motivated and able to fully understand client requirements.*

The Rewards :
- *The remuneration package will include a competitive base salary, highly attractive bonus scheme and housing allowance in Hong-Kong.*

Please reply with full details to Danielle ELOUEIS.

COR'EX — Conseil en Recrutement

11, avenue Myron Herrick - 75008 Paris - Fax 42 25 13 23

Investment Ombudsman

The Investment Management Regulatory Organisation Limited (IMRO) is responsible, under the Financial Services Act, for regulating firms involved in investment management in the UK.

IMRO has set up an independent system for dealing with complaints brought against regulated firms by their customers, where those complaints cannot be resolved by the parties concerned. These complaints are referred to the Investment Ombudsman, who investigates complaints independently with a view to recommending a settlement to the parties and can, in appropriate cases, arrange for adjudication.

The Ombudsman's role is a part-time one, supported by a full-time legal team which undertakes case preparation and investigation. However, the Ombudsman decides the cases - sometimes after interviewing the parties - with the aim of reaching a fair result in each case.

The post of Ombudsman will shortly fall vacant following the retirement of the present incumbent and IMRO is seeking his replacement. The successful applicant will be a professional person, of high integrity, with a successful career in a commercial environment. The current Ombudsman is legally qualified. IMRO considers that legal experience is necessary but may be persuaded otherwise should a particularly suitable candidate emerge from another field. In any event candidates must be able to demonstrate a clear understanding of the workings of the financial services sector and a strong commitment to investor protection.

Applicants attracted by the challenge of this high profile position should write with career details (quoting ref. no 2375F) to Dorothy Page at Odgers International, 7 Curzon Street, London W1Y 7FL, who is advising IMRO on this appointment.

IMRO

GLOBAL CUSTODY RELATIONSHIP MANAGER

Excellent Package

The Bank of New York is a lead provider of Securities Processing Services to the market and a respected Trust and Investment Manager. We operate a complete range of processing and operating services, supported by superior technological resources to investors and institutional resources. Exciting career opportunities now exist to join this successful Global Custody team. Candidates must have:

- Experience in developing and maintaining strong client relationships within a service oriented environment.
- Superior knowledge of Global Custody or investment management operations.
- Ability to actively identify new business. European languages an advantage.
- First class interpersonal and communication skills. Proactive, energetic, skilled negotiator. Team player.

Written applications only please, including full CV and current salary details to:
Maria Gigli, Personnel Officer, The Bank of New York, 46 Berkeley Street, London W1X 6AA.

THE BANK OF NEW YORK

The Inter-American Development Bank has an opening in Washington, DC for a:

SWIFT CENTER SYSTEM OFFICER

Functions: Operate, administer and maintain the SWIFT/Telex System (STS) using Logica's Fastwire Software; interface with the SWIFT Network and Telex carriers; install and test new versions of Fastwire, monitor performance, maintain security, identify systems errors, support software interfaces, and participate in STS disaster recovery plan and in systems development within the department.

Requirements: Bachelors degree in Computer Information Systems or related field. Minimum three years experience in computers or information and communication systems; one year with a Masters. Experience with the SWIFT System desirable. Fluency in English required.

The IDB is an international financial institution promoting economic and social development in Latin America and the Caribbean. Position offers excellent salary and benefits package, including relocation. Resume should be received by February 9, 1996. Send to: HUR-RO-FT IDB Stop E0507 1300 New York Avenue, NW, Washington, DC 20577 USA or FAX (202) 623-3096. The Bank regrets that it is able to respond only to applicants who best meet the position requirements.

Schroders

Pacific Basin Economist

Schroder Economics, the economics unit of Schroders plc, centred within Schroder Investment Management Limited, requires an economist to cover the economies of the Pacific region, excluding Japan. This is a new role which reflects the increasing importance of the region to the success of the company.

You will be required to work with the existing specialist team in the generation of regional economic forecasts, the assessment of monetary and fiscal trends and the development of investment themes through original research.

You are likely to possess a post-graduate qualification in economics and should have gained at least 3 years experience in either the public or private sector. At least one year must have been spent specialising on Pacific region economic issues. Good communication skills and an interest in financial markets are essential.

The jobholder will be based in London reporting to the Chief Economist but will have extensive contact with Schroders' overseas research teams and economists.

The compensation package includes a competitive salary plus full banking benefits package. Career prospects within the Schroder Group are excellent.

Applications in writing with full curriculum vitae, should be sent to: Carol Scambler, Schroder Investment Management Limited, 33 Gutter Lane, London EC2V 8AS.

APPOINTMENTS WANTED

NUMERATE GRADUATE WANTED

To join a small options trading company as a trainee on the LIFFE floor. Age 20-25.

Send CV to:

WOLBERS OPTIONS LONDON LTD., 23 Camomile Street, London EC3A 7PP

Our client, a major international Asian stockbroking firm, requires

KOREAN EQUITY AND DERIVATIVE SALESMAN

LONDON OFFICE.

Korean speaker, with a relevant degree, and preferably an MBA. A minimum of 10 years broking experience in the Korean securities industry, strong relationships with the UK and European institutional clients. Previous work experience in Korea will be expected., with one of the recognised brokerage firms and/or a "chaebol". Other qualities required are a strong economic background and credit analysis skills.

Contact:
LEADER FINANCIAL RESEARCH LTD
5th Floor, 27 Austin Friars, London EC2N 2AA UK
Tel: 44 171 256 5550 Fax: 44 171 256 5580

ENTREPRENEURS / BUSINESSMEN

Young, ambitious, Oxbridge graduate, currently at prestigious city institution looking to work with successful entrepreneur.

CONTACT UK: 01426 938871

Ph.D. Investment - Banking -

Outstanding Mathematicians/ Scientists required to join derivative trading desk, to train as analysts or risk managers.

PLEASE CONTACT CARL BAUM, 0171-972 0150 (Rec Cons)

هكذا من الأصل

BRING YOUR PROFESSIONAL INFLUENCE TO BEAR AT SENIOR LEVEL IN CORPORATE BANKING

SENIOR RELATIONSHIP MANAGERS

London & South East **c£30k + bonus + car**

When you process transactions valued in excess of £70 billion per annum - that's £1 in every £4 that passes through the nation's tills - you can justifiably claim to be a major force in UK banking. One of the main reasons for Girobank's success is our total commitment to developing solid working partnerships with our clients. We now need enthusiastic and knowledgeable people to ensure the long term development of these relationships.

You will be accountable for maintaining and enhancing relationships with existing customers and identifying and winning new business opportunities. From the renegotiation of contracts to ensuring the delivery of a quality service, you will have responsibility for actively enhancing the corporate banking portfolio.

You must have experience gained within a first-rate corporate financial environment embracing a comprehensive knowledge of cash handling and money transmission.

Competitive and a high achiever, you will have the well-honed sales, negotiation and persuasion skills essential to succeed in this target-driven role.

We offer first-class remuneration packages - attractive to the highest calibre people - together with realistic career prospects in a progressive environment.

If you think you could make an active contribution to our continuing success then please send full cv to Trish Mercer, Personnel and Training Adviser, Girobank plc, Bridle Road, Bootle, Merseyside GIR 0AA.

Girobank

Investment Research

Stockbroking

Paper & Packaging, Mining and Drinks & Leisure

Age 25 - 32

A leading UK based international stockbroking firm has openings for industry specialists in a number of sectors.

Through its strong institutional broking business, the firm plays a major role in raising equity and long-term debt finance for British industry. It also raises finance for overseas companies and has been extensively involved with privatisations in the UK and abroad.

A substantial commitment to investment research is a central component of the firm's activities. Members of the research team keep in close contact with a wide range of companies and provide sector expertise as part of the broking business. They offer investment advice to fund managers in the UK and around the world, and play a key role in the process of winning and executing mandates to issue new equity capital.

These openings, which have been created by the continuing development of the firm, might suit those already in City-based occupations or in industry, commerce or the professions. Applicants, who must be self-motivated with strong analytical and communication skills, should contact

Jock Coutts at Career Plan Ltd., 33 John's Mews, London WC1N 2NS. Tel: 0171 242 5775. Fax: 0171 831 7623.

Career plan

Personnel Consultants

SWITZERLAND

THE BANK FOR INTERNATIONAL SETTLEMENTS

an international institution located in Basle
with approximately 460 members of staff from 24 countries

invites applications for the following vacancies in its Banking Department

PORTFOLIO MANAGER (REF. 96277)

The successful candidate, who will have a university degree (ideally in finance or mathematics) and at least two years experience in managing fixed income instruments, will join a team responsible for portfolios invested in the world government bond markets. Essential prerequisites are computer literacy and a good knowledge of financial mathematics and fixed income derivatives.

FIXED INCOME ANALYST (REF. 96279)

The successful candidate will have a quantitative oriented university degree with exposure to economic and financial theory. He/she will join a research team to analyse fixed income markets developing portfolio management tools and market models. Essential prerequisites are knowledge of statistics, mathematics, numerical methods and a good command of various IT environments (UNIX, windows).

In addition to a very good command of both written and spoken English (preferably mother tongue), a working knowledge of German and/or French would be an advantage.

The Bank offers attractive conditions of employment in an international atmosphere and excellent welfare benefits.

Candidates should send their application, together with a recent photograph and references, to the Personnel Section, Bank for International Settlements, 4002 Basle, Switzerland, quoting the relevant reference number.

Project Director - Transportation

Far East

Salary Indicator £100,000 & Accommodation & Benefits

This is a superb opportunity to fully manage a landmark civil engineering/development project with an initial construction value of US$150m. The project comprises a high capacity bridge; tunnels and adjoining infrastructure works.

The person sought will be in overall charge of construction activities and will lead development appraisals and negotiations, managing in-house and external design teams, consultants and financiers. **Previous in-depth experience of project financing is desirable. Far Eastern based experience is a distinct advantage.**

Candidates should have a degree in either an engineering or business discipline (ideally both) and a career history of involvement in major projects in senior positions.

The company is presently engaged in a wide range of construction and development activities worldwide in the civil engineering; oil/gas and power generation markets. This project broadens the scope of operations into transportation **with the objective of creating a new strategic business unit.** This is a long term career opportunity with a successful entrepreneurial company.

Interested candidates should submit their CV's in the first instance to Chris Cheetham (advising the client), quoting reference FT/1004/CC at:

PRS Limited, Culpin House, 74-78 Town Centre, Hatfield, Herts, AL10 0JW. Fax: 01707 256881

PRS *International Recruitment Consultants*

MANAGING DIRECTOR

Speciality Footwear Retailer – New Zealand

For over 125 years, R Hannah & Co Ltd has led footwear retailing in New Zealand. The company is privately owned, has close to 100 stores nationwide, covering several market/brand segments and is at the forefront of new thinking in retailing. Hannah's and its associate brands are prominent in all major shopping centres and the Company is quickly developing new theme store concepts, as well as the prudent location of stores in new Outlet and Power centres.

The Managing Director will be responsible to the Hannah's Board for the continued profitable development of the company. The foundation is very solid with significant revenues, market leadership and a reputation for efficient manufacturing and importing, intelligent marketing and quality customer service.

Candidates will need to have speciality or similar retail experience at a senior management level. They will need to provide evidence of success in adding value for shareholders, leading and developing staff and exceeding customer expectations. A sound background in retail selling, marketing and merchandising is essential as is an understanding of fiscal responsibilities and Board relationships. Experience in apparel retailing would be very helpful.

The remuneration package is at a high level and includes discretionary income based on company performance. Relocation expenses to Wellington, New Zealand's capital city, will be met.

Applications will be treated in strict confidence. Please send relevant personal and career history information to Norman Godden, Deputy Chairman, Sheffield Consulting Group Ltd, at our Auckland address below, quoting Reference 15991.

Telephone 64-9-377 3119
Facsimile 64-9-307 2322
PO Box 5621, Auckland,New Zealand
E Mail: "Applications@scg.co.nz".

Sheffield CONSULTING GROUP LTD

UK Subsidiary Managing Director London Based

Worldwide company with a strong leadership in manufacturing and commercialising of sophisticated engraving machines is seeking after a managing Director in order to further develop its UK market share.

The ideal applicant, aged 35-45, will be educated to degree level with minimum 10 year experience in industrial equipments in «Business to Business».

He should have already managed business units and acquired a successfull experience of commercial development. He should also be capable of implementing a strategic direction of the business and exploiting all UK market opportunities.

Strong interpersonal and communication skills are essential as the position requires extensive interfacing with clients and employees.

Please reply with full details to Géraldine MICHAU, réf. GM 965.

COR'EX

Fax : 33 (1) 42 25 13 23

DFC

INTERNATIONAL CONSULTING OPPORTUNITIES

DFC is a private consultancy firm with offices of London, Barcelona and Paris, providing advisory services worldwide, with a focus on Eastern Europe, the CIS and the Southern and Eastern Mediterranean region. Our assignments are frequently funded by the World Bank, the European Commission, the European Bank for Reconstruction and Development and other International agencies.

We now aim to extend our register of experienced consultants for new assignments principally in the banking and financial sectors in the Mediterranean region. Excellent presentation and report writing in English are required and fluency in a second language with a knowledge of Arabic is desirable. Previous working experience in the Middle East or North Africa especially in the areas of bank restructuring, bank regulation and supervision, development finance, small and medium size enterprise development, project finance, and privatisation is being sought.

Candidates with appropriate experience are invited to send a detailed Curriculum Vitae, indicating preference for short or longer assignments, to: DFC Ltd, Grosvenor House, 141/143 Drury Lane, London WC2B 5TB, Tel: (44) 171 836 3424, Fax: (44) 171 379 4931

ANALYSTS

Highly successful, US Management Consultancy specialising in financial services needs to recruit a small number of high-calibre individuals into its Hertfordshire-based team.

We know what creates success in these roles: our clients need people who understand their business and their needs, and seek to enhance the relationship continuously; people who thrive on front-line exposure; and whole confidently balance competing demands. Systems literacy is a prerequisite, along with strong technical analysis and an absolute attention to detail.

In order to be considered you will have an MBA, be highly numerate, and able to articulate your observations and conclusions articulately in written reports or directly to the client. You'll need to demonstrate extensive and creative application of your systems expertise. But beyond all this, success rests on your ability to apply acute intelligence to practical issues; to maintain your integrity, dependability and composure as a dedicated team player while working in a high-pressure environment.

Rigorous professional standards and a demanding workload are compensated by a very competitive salary, attractive benefits and the potential for a substantial performance-related bonus. Most of all, this is an opportunity to develop high-level technical expertise, for learning and using skills which make you visible and valuable to clients in a dynamic, global market.

READY FOR THE CHALLENGE?

Send your CV and application letter to Box A5267, Financial Times, One Southwark Bridge, London SE1 9HL

ACCOUNTANCY APPOINTMENTS

EUROPEAN AUDITOR

Exciting Pan-European Opportunity for German Speaker

LONDON

Competitive Salary + Benefits

With operations in 40 countries spanning Europe, America and Asia this manufacturing group has established market leadership in its core business areas. They are pioneers in their field. The development of leading edge technologies combined with focused, innovative business practices has contributed to dramatic organic and acquisitive growth.

Based near London, the European audit team is young, multi-cultural and commercial. As a key member of this team and working closely with all levels of management, you will review operational and financial aspects of the activities in Europe with a clear focus on **Germany, Austria and Switzerland**. *Trouble-shooting, systems development and special project work such as analysing business and technical accounting issues will be important aspects of this role. The successful candidate will therefore be:*

- A **qualified accountant or equivalent** with at least 3 years auditing experience.
- Fluent in **English** and **German**.
- *Relishing the prospect of a multi-cultural role with approximately* **40% international travel.**

This represents a unique opportunity to positively impact upon the efficiency and profitability of the European business, using a consultative approach which will add value. Career prospects are excellent both in Europe and group-wide

Interested applicants should telephone **Robert Macmillan** *on* **0171 404 5501**. *Alternatively please write in confidence, stating current remuneration, quoting reference number* **2188** *to Nicholson International (Search and Selection Consultants), Bracton House, 34-36 High Holborn, London WC1V 6AS, or fax your details on* **0171 404 8128**.

NICHOLSON INTERNATIONAL —UK—

Australia Belgium China Czech Republic France Germany Holland Hungary India Israel Italy Poland Romania Russia Spain Turkey

Bursar

Rugby School

Warwickshire

Leading independent boarding and day school, with 500 boys and 210 girls, where the enjoyment of teaching and learning speaks as loudly as the fine academic results.

THE POST

- Accountable for the non-teaching administration and financial control of the school. Responsible to the Headmaster and with direct access to the Chairman of the Governing Body.
- Aided by an Assistant Bursar (to be appointed in the Autumn), Estates Bursar, Accountant, Office Manager, a number of support staff and secretariat. Member of the School's Management Committee.
- The appointment is for 1 August 1996.

QUALIFICATIONS

- Able and intelligent manager with a degree, or equivalent professional qualification.
- Experience of financial management desirable.
- Excellent communication skills, ability to monitor and control the business performance of the school. Interest and involvement in school life.
- The successful candidate must be prepared to live close to the school.

Please send full cv, stating salary, ref ED60103FT, to NBS, 54 Jermyn Street, London SW1Y 6LX

Registered as an educational Charity number 528752

NB SELECTION LTD
a BNB Resources plc company

NBS

London 0171 493 4946
Aberdeen • Birmingham • Bristol • City
Edinburgh • Glasgow • Leeds • London
Manchester • Slough • Madrid • Paris

Finance Director

Management Consultancy

To £50,000 + Package including Share Options **Central London**

Ambitious finance professional required to play key business role in expanding consultancy.

THE COMPANY
- £15m turnover privately owned company, established nearly 20 years ago. Clear strategy, poised for next stage of growth.
- High quality, professional firm. Recognised market leader in its field. Committed to maintaining standards of excellence.
- Young, energetic management team. Open and supportive culture.

THE POSITION
- Help plan and deliver significant growth. Play major role in corporate planning, strategy and budgeting.
- Manage finance and administration. Ensure compliance with all legal and company secretarial requirements.
- Contribute to smooth running of company. Member of management team. Report to Managing Director.

QUALIFICATIONS
- Graduate accountant, preferably from innovative service organisation with experience of a people product. Minimum 2 years in FC/FD role including line management experience.
- Sound financial control and business analysis skills. Experience of corporate finance, M&A, tax planning useful. Computer literacy essential.
- Energetic and ambitious. Dynamic professional with advanced communication skills and demonstrable talent. Effective team player.

Please send full cv, stating salary, ref CP3828, to NBS, 10 Arthur Street, London EC4R 9AY

N B SELECTION LTD
a BNB Resources plc company

N·B·S

City 0171 623 1520 • London 0171 493 6392
Aberdeen • Birmingham • Bristol • City
Edinburgh • Glasgow • Leeds • London
Manchester • Slough • Madrid • Paris

Financial Controller

Matthew Gloag & Son Limited

Superb Package Incl. Bonus + Relocation **Central Scotland**

First-class career opportunity in an internationally-recognised, leading Scotch Whisky company, renowned for The Famous Grouse Finest Scotch Whisky.

THE COMPANY
- Envied portfolio of international whisky brands. Vigorous and profitable with a reputation for product quality, marketing and sales skills.
- Globally expanding business backed by forward-thinking management team.
- Part of The Highland Distilleries Company plc, with a turnover of £180 million.

THE POSITION
- Report to Finance Director and be responsible for finance function.
- Drive and develop accounts team. Move management information forward to more strategic and commercial platform.
- Challenge status quo, constantly seek opportunities to drive profit and add value across major brands.

QUALIFICATIONS
- CA or equivalent, graduate, aged late 20s/early 30s, already making an impact at senior level, ideally in FMCG blue-chip company.
- Outstanding management abilities, team player with impressive communication and presentation skills.
- Background of success in developing and improving the contribution of the finance team to the commercial success of the Company. Strong-willed and resilient.

Please send full cv, stating salary, ref 1GP3163, to NBS, 78 St Vincent Street, Glasgow G2 5UB

N B SELECTION LTD
a BNB Resources plc company

N·B·S

Glasgow 0141 204 4334 • London 0171 493 6392
Aberdeen • Birmingham • Bristol • City
Edinburgh • Glasgow • Leeds • London
Manchester • Slough • Madrid • Paris

financial controller

U.S. food manufacturer

krasnodar, southern russia

excellent salary

training in geneva / U.K.

An opportunity for an ambitious, energetic Accountant to join the Krasnodar food manufacturing subsidiary of a U.S. Multinational. Responsibilities cover trading & processing activities.

Reporting to the General Manager and deputising for him in his absence, key responsibilities will include:-

- **U.S. GAAP reporting, planning and budgeting.**
- **implementation and development of financial systems.**
- **capex control, budget monitoring and project management.**
- **strategic issues, new venture plans and advice to Management.**

***These operations are a part of a wider investment programme in Central Asia and Eastern Europe.* The company has a strong commitment to ethical standards and development of its people. Your opportunities to progress are excellent. You'll get responsibility, decision-making authority and involvement in the business beyond the level you could expect in Western Europe.**

The company is a long-term investor and a patient employer, known for providing full support to its employees so they can concentrate on doing their job. Your next promotion could be anywhere within the worldwide organisation. Ref: 04523.

We have other opportunities in Russia, Poland, Bulgaria, Romania and Central Asia for ambitious finance professionals. Please telephone us for details.

FARN WILLIAMS Diamond House, 27-30 Hatton Garden London EC1N 8PW Tel (44) 171 404 4069 Fax (44) 171 404 4063

TECHNIP

■ *TECHNIP is a major international French engineering group with revenues of over US$ 1.5 billion, some 5.500 staff throughout the world and 2000 plants in 85 countries. The company is looking to recruit for its Head Office in PARIS a young, high-potential*

Senior Project Accountant

■ ***THE POSITION :*** *You will be responsible for the accounting, fiscal and administrative control of a variety of major overseas engineering projects, some of them above one billion French Francs. The function involves operational contacts with numerous different departments (engineering, treasury, purchasing, IT, tax etc..) and the management of a team of seven accountants. He will report to the head of Project Accounting, Tax and Administration Department. A certain amount of travel worldwide will be necessary.*

■ ***THE CANDIDATE :*** *A University graduate and recently qualified accountant (ACA, CIMA...), you have acquired some three to five years experience within a major audit firm or the accounting function of an international group. Experience of project accounting and a good knowledge of French will be an advantage. Priority will be given to internationally-minded candidates who are mobile geographically for a subsequent career move.*

■ *Interested candidates should write to Thierry MAGEUX quoting reference 2985/TMF at NORMAN PARSONS, 6 rue Paul Baudry, 75008 Paris FRANCE, or by fax on (33.1) 42 89 09 85.*

Norman Parsons
GROUPE ROBERT HALF

BANK GESELLSCHAFT BERLIN

Bankgesellschaft Berlin was formed at the beginning of 1994 to play a central role in reshaping Berlin's infrastructure, and to underpin the dramatic investment programme now underway in Berlin and Brandenburg. In a unique blending of state and private interests, it links three entities, namely Berliner Bank, Landesbank Berlin and Berliner Hypotheken-und Pfandbriefbank.
With assets of DM270 billion and in excess of 16,000 employees, Bankgesellschaft Berlin is the capital's leading bank and one of the top ten banks in Germany.
In London, through its antecedents, the bank has been active in capital and treasury markets for a number of years. Following a move to new premises last year, the bank is now expanding its investment banking operations in the UK.
As part of its ambitious development plans, the bank has identified a need for two highly motivated and innovative accounting professionals to strengthen its finance group. Both are new positions where your interpersonal skills and initiative will be put to the test.

Competitive salary + banking benefits

Manager, Group Reporting

Reporting to the Head of Group Finance, your responsibilities will be to:
- ▲ Establish/enhance budgetary control, management reporting and commercial support.
- ▲ Develop and manage staff to maximise productivity.
- ▲ Review and enhance information and accounting systems.

You will have:
- ▲ ACA/ACMA qualification.
- ▲ Experience of management accounting within the financial services sector.
- ▲ Proven team management skills.
- ▲ A thorough knowledge of capital markets instruments.
- ▲ An ambition to progress beyond the immediate role.

Manager, Regulatory Reporting

Reporting to the Head of Group Finance, your responsibilities will be to manage and develop the regulatory function to satisfy both German and UK regulatory requirements. This will involve:
- ▲ Interpretation of regulatory rules.
- ▲ Assessment of systems requirements.
- ▲ Management of information from the Group's regulated entities.
- ▲ Responsibility for compliance with all regulatory reporting requirements.

You will have:
- ▲ ACA qualification or equivalent.
- ▲ In-depth knowledge of German regulatory requirements including the Capital Adequacy Directive.
- ▲ Proven experience within a progressive Capital Markets environment.
- ▲ Good working knowledge of German (oral and written).
- ▲ Ability to participate in systems developments in response to regulatory changes.
- ▲ Effective communication skills.

Interested candidates should write quoting reference number 27815 and enclose a curriculum vitae with current salary details to: Jon Anderson ACMA, Martin Ward Anderson, 20 Shorts Gardens, Covent Garden, London WC2H 9AU.

MARTIN·WARD ·ANDERSON·
LONDON · WINDSOR

P&O European Transport Services

Finance Director

Ipswich Competitive Package

P&O European Transport Services, a division of P&O, is a market leader in the provision of integrated transport and warehousing services throughout Europe, with turnover of c.£900m and with 8,000 employees in 16 countries.

Following relocation to a New Head Office in Ipswich, a Finance Director is required to contribute to the strategic development of the Division and to be responsible for its overall financial management.

The ideal candidate would be a graduate qualified accountant with experience in the transport/distribution sector and in European businesses. Technical excellence, a sharp intellect and flexibility of approach are essential. Travel throughout Europe will be required. Knowledge of German would be an advantage.

Applications should be sent to:-

C G Smith
Company Secretary
P&O European Transport Services Limited
Station House
Stamford New Road
ALTRINCHAM
Cheshire
WA14 1ER

Value for Money Studies Expert

required for a position as

DIRECTOR OF AUDIT

in the

Office of the Comptroller and Auditor General

This is a senior level position and the person appointed will be responsible for the strategy, direction and management of the Value for Money Audit Division in the Office of the Comptroller and Auditor General.

The key responsibility of the position will be to advise on and implement, on an ongoing basis, a value for money audit strategy which will identify relevant issues and deliver high quality reports in an economic and efficient manner. The person appointed will, in addition, be a member of the Management Committee of the Office.

The position is likely to be of interest to persons with management or consultancy experience at a senior level in either the private or public sector.

APPLICANTS MUST:
- possess a proven record in business analysis and/or performance evaluation;
- have a capacity to operate effectively at a senior level in an organisation;
- have a detailed understanding of current management and operating practices in the wider business environment and an appreciation of the Public Sector.

The appointment will be on a five year contract basis and it is expected that the appointee will take up duty in early March, 1996.

Salary: £51,143 Closing Date: 15 February, 1996

Cuirfear fáilte roimh chomhfhreagras i nGaeilge.

Civil Service Commission

For application forms and details, please write to:
The Secretary, Civil Service Commission, 1 Lower Grand Canal Street, Dublin 2. Telephone Number: (01) 6615611
The Commissioners are committed to a policy of equal opportunity.

APPOINTMENTS ADVERTISING

Appears in the UK edition every Wednesday & Thursday and in the International edition every Friday. For information on advertising in this section please call:

Toby Finden-Crofts on +44 0171 873 3456
Robert Hunt on +44 0171 87 4095

Senior Finance Professional

to £70,000
package

age 30-35

London

Our client is the UK subsidiary of a major US energy company with worldwide revenues in excess of $7 billion. In recent years their successes have been enviable, with a reputation for excellence in the oil and gas industry. Further growth will result from developing new energy markets in the UK, as well as innovative exploration outside of their established producing countries.

They are now seeking to appoint a "high achiever". Reporting to the Director of Business Planning, your initial brief will be to manage the Audit function. This function's resources are strongly focused on the key issues of **Risk Management, Internal Consultancy and Operational Review.** To be successful in this role you must be able to demonstrate your ability to influence, and therefore have significant input into, high level corporate decision making. In the medium term, it is expected you will progress into a senior mainstream finance role either in the UK or Overseas.

You will possess an **outstanding record of achievement** to date, having both qualified as an accountant and excelled academically. Your current role will either be within a "Big 6" firm or Commerce/Industry. Whilst energy sector experience is desirable, it is not essential. The salary package on offer is intended to attract the highest calibre of candidates.

Interested candidates should send their Curriculum Vitae (including details of current remuneration), quoting reference no. 27913, to Richard Wright, Partner, Martin Ward Anderson, 20 Shorts Gardens, Covent Garden, London WC2H 9AU. Alternatively, telephone him on 0171 240 2233.

MARTIN·WARD ·ANDERSON·
LONDON · WINDSOR

هكذا من الأصل

Price Waterhouse

EXECUTIVE SEARCH & SELECTION

Head of Group Audit

FTSE 100 plc

c.£100K package London

About Us

Success is a word frequently attributed to us. With a strong international presence, we operate in over 100 countries worldwide, producing, distributing and marketing leading brands associated with FMCG. We employ only the best and acknowledge that it is largely down to the calibre of our people that has enabled us to reach our position of dominance within our chosen markets. Our style is open, direct and hard-working.

The Role

Group Audit is an important function within the Group. Our belief is that this should be a high level review which can best be achieved through a talented and effective small HQ team. Naturally, effectiveness of internal controls will be high on the agenda. But, equally, you and your team will be involved in acquisitions, security and information systems. The latter will be particularly important as we invest heavily in re-engineering our business processes over the next few years. You will liaise frequently with our Audit Committee and top level management throughout our organisation and we view this role as an excellent opportunity for progression to other line management roles in due course.

As with any major, successful organisation, there will be occasional frustrations and impossible timetables to meet. Working for us is no easy option, but can be enormously rewarding. However, if you are looking for an easy option at this point in your career, please don't bother us – it will be an unhappy alliance.

About You

You will probably be a qualified accountant, but equally you could have reached a senior audit role through the IS route. You will have several years' experience at senior managerial level and will probably be in your mid to late 30's. You will have exceptional analytical qualities, combined with broader vision and highly developed communication skills. You will certainly be computer literate and have audited sophisticated systems applications. Operational experience will be useful and you must have credibility, presence and diplomatic skills. You will also have the necessary level of emotional resilience to be effective at this level. Finally, you must have the potential to move beyond this role in due course.

Next Step

Interested? Then send your details, quoting reference J/1618, to our advising consultant Judith Richardson. Alternatively, if you would like a discreet conversation first, please call either Judith on 0171 939 5145 or Alannah Hunt on 0171 939 5968.

Executive Search & Selection,
Price Waterhouse,
No 1 London Bridge, London SE1 9QL.
Fax: 0171 403 5265
Internet: Alannah_Hunt@Europe.notes.pw.com

Change the way we do business

Central London

For some time now, the Metropolitan Police Service has been going through unprecedented change at strategic and operational level. This is how it is going to continue, as re-organisation of our business structures and procedures becomes part of our culture. The highest standards of audit and management accounting are key to our success, and we need the following professionals to join us.

Audit Managers and Senior Auditors

You will need to ensure that effective systems of control exist to enable us to achieve our primary goals of efficiency, value for money, quality and accountability. These are demanding roles for which you will need to be a strong, self-motivated leader with a proven record of achievement. You will also need excellent interpersonal skills and extensive practical experience of systems-based auditing.

At Audit Manager level, you will need 3 years' experience in senior audit management, and at Senior Auditor level you will need 3 years' sound experience of modern audit practices. You must also have a recognised professional qualification. Reference: AMSA1.

Management Accountants

The Personnel and Finance departments have a number of opportunities involving various levels of team management and autonomy. You will be providing accounting advice to senior management and other members of the department. All positions will give you the opportunity to examine current accounting procedures and develop new systems.

Qualified or nearly qualified, you will recognise the need for change and be able to communicate financial concepts to non-specialists. A good knowledge of public sector financial management would be an advantage for some of the positions. Reference: MA1.

For further details and an application form, please telephone Denise Muskett on 0171 230 3500 (24 hour Answerphone), quoting the appropriate reference number. Alternatively, write to her at Metropolitan Police Service, 105 Regency Street, London SW1P 4AN. The closing date for completed applications is Friday 23rd February 1996.

The Metropolitan Police Service is committed to a policy of equal opportunity for all staff regardless of sex, marital status, colour, race, nationality, ethnic or national origin, sexual orientation, religion or disability

METROPOLITAN POLICE

You should be a British or Commonwealth citizen, or a National of any state within the European Economic Area and should normally have lived in the UK or EEA for the past three years.

MANAGEMENT ACCOUNTANT

Competitive Local Salary and Benefits

NUREMBERG

This innovative PLC, a £2Bn business, is a pioneer in a number of chemical related businesses, it has a name synonymous with quality and state of the art technology.

An opportunity has become available following the recent acquisition of a market leader in Germany. Reporting to the Commercial Director, this high profile role will assume responsibility for all management reporting and forecasting. Working with senior management you will gain exposure to all aspects of the business, defining and producing qualitative management information. Additionally you will assist in the implementation of the internal computer system across the business.

To perform this pivotal role you will ideally be aged between 25-30 years, possessing a recognised accountancy qualification with a minimum of 2 years industry experience.

Individuals should be proven communicators, be confident dealing with non financial personnel and able to work in a multi task environment. Fluency in English and German is essential.

Interested candidates should contact **Jane Storie,** in strictest confidence at **FSS Europe, Charlotte House, 14 Windmill Street, London W1P 2DY. Tel: (44) 171 209 1000 or Fax: (44) 171 813 9479. Ref: FT 0031.**

Closing date for applications: 12 February 1996.

FSS EUROPE

European VAT Specialist & Corporate Income Tax Specialist

Hewlett-Packard is one of the world's leading companies in the global information technology and electronic instruments market with revenue of US$31.5 billion in our 1995 financial year. As a Fortune 50 company, consistently recognised for our success, innovation, employee satisfaction, and unprecedented growth, we are looking for two proactive tax professionals to join our growing European Tax Department. Both positions offer substantial remuneration and benefit packages.

Corporate Income Tax Specialist

We are seeking a top-flight international tax expert with both European and US corporate income tax training and experience, to be based in our European Headquarters in Geneva. Your portfolio will include managing the implementation of cross-border tax and business initiatives, and acting as the tax partner to our European business units and headquarters functions. Other critical responsibilities will include transfer pricing, permanent establishment and Subpart F and PFIC planning.

The position demands significant (up to 8 years) international tax experience, including familiarity with US international tax rules. This will probably have been gained in a multinational organisation operating in Europe or a major international firm of tax advisors. You must be able to interact well at all levels and build consensus across different functions and cultures. A second European language in addition to English is desirable, and you must have an appropriate qualification (legal or accounting based). *Ref.*6891

European VAT Specialist

For Hewlett-Packard, VAT planning means contributing to our success and that of our customers. You will be supporting our business units in the development of their activities in the EU and Eastern Europe to insure we can deliver a broad range of goods and services on a pan-European and cross-border basis without VAT constraints. Working in a multiple VAT registered environment, key parts of this support include the identification of opportunities for planning, standardisation and automation of VAT processes across Europe, supporting our geographic VAT team, lobbying, technical training and research.

Working for the European VAT Manager, you will be a business focused VAT high-flyer with 5 years European VAT experience gained in a professional firm or multinational organisation. An appropriate qualification is desirable, fluent English and good communication skills are vital. Reflecting the European nature of this role, it could be based in Geneva, Bracknell or one of our main European sites. In any case, extensive travel will be required. *Ref.*6892

Hewlett-Packard has retained *Beament Leslie Thomas Recruitment Consultancy Ltd* for both positions. Please send your CV, including current package and quoting our reference number to:

Mike Beament or Caroline Thomas at BLT Recruitment Consultancy Ltd, Quality House, 5-9 Quality Court, Chancery Lane, London WC2A 1HP.
Tel: + 44(0)171 405-3404
Fax: + 44(0)171 405-3310.

CV's sent directly to Hewlett-Packard will be forwarded to BLT.

Hewlett-Packard values the contributions of a diverse workforce. Qualified men and women from all races, religions and levels of physical ability are encouraged to apply.

HEWLETT® PACKARD

BLT

LLOYD MANAGEMENT

Leading UK Financial Group

MANAGER, IT AUDIT

Central London

c£50,000 + car + benefits

Our client is one of the world's largest and strongest financial services groups. It is the long standing market leader in the UK and has substantial and rapidly growing businesses in the US and the Far East.

A promotion has created this vacancy in the group's high profile internal audit team, which undertakes a wide range of significant business, project and IS related reviews in all of the group's operations.

The Manager, IT Audit will plan and execute a range of IT reviews in a commercial context. Such challenging assignments will include risk and control assessments and project management reviews, providing exposure to all UK and overseas business divisions.

Applicants should have a minimum of 5 years computer audit experience and be familiar with emerging technologies such as client server and open systems, as well as local and wide area networks. Knowledge of the financial and/or banking industries and project management or project management appraisal would also be beneficial.

Please write, enclosing a career/salary history and daytime telephone number, to David Tod BSc FCA quoting reference D/66/F.

LLOYD MANAGEMENT Selection Consultants 125 High Holborn London WC1V 6QA 0171-405 3499

VP Finance

Frankfurt Germany

- Expanding Europe, Middle East and Africa division of worldwide group operating in a high profile service sector seeks an outstanding individual to strengthen its established regional management. Reporting to an industry-experienced Chief Executive, the role encompasses financial and commercial input to operations and business development for the group's key international region.
- Significant expansion opportunities of the current business base exist, involving acquisitions, new projects, joint ventures and other innovative financing and operating structures. These aspects and an overseeing role in respect of the normal accounting, reporting and administrative functions form the base of this challenging appointment.
- The successful candidate is likely to be a graduate/MBA, professionally qualified with major firm training, with relevant post-qualification international commercial exposure. The individual selected will need to be able to demonstrate high levels of technical competency, numeracy, literacy and communication skills. Fluency is required in English and German, and preferably French.
- The remuneration package will reflect the importance of this appointment, and will include a performance related element.

Interested and suitably qualified applicants should contact, in strict confidence, the group's specialist advisors immediately with full details in English of career history, current earnings and any other related information by mail or fax.

FM RECRUITMENT, Greencoat House, Francis Street, London SW1P 1DH, UK
Fax ++ 44 - 171 - 828 3355

FM *The International Financial Management Specialists*

Financial Controller

To £40,000 + Bonus + Benefits London

Newly-created, high-profile role at international Group centre for ambitious, commercially-astute accountant.

THE COMPANY
- Successful, acquisitive and profitable plc. Turnover £200m.
- Strong growth and excellent performance in niche market.
- Small, dynamic senior management team with exciting plans for further expansion.

THE POSITION
- Full responsibility for Group-wide management and statutory reporting. Focus on providing added value analysis and commentary within small head office team. High level of exposure across Group.
- Involvement in all Group tax, treasury and financing issues.
- Significant commercial remit, covering acquisitions and systems integration.

QUALIFICATIONS
- Graduate ACA, preferably "Big Six", with at least 2 years' PQE gained in industry, ideally manufacturing.
- Strong analytical and accounting skills, augmented by good level of tax and treasury knowledge. Highly IT literate, including spreadsheet modelling skills.
- Sound commercial appreciation combined with hands-on approach. Energetic, ambitious and flexible with ability to liaise effectively at all levels.

Please send full cv, stating salary, ref SL60101, to NBS, 7 Shaftesbury Court, Chalvey Park, Slough SL1 2ER

N B SELECTION LTD
a BNB Resources plc company

NBS

Slough 01753 819227 • London 0171 493 6392
Aberdeen • Birmingham • Bristol • City
Edinburgh • Glasgow • Leeds • London
Manchester • Slough • Madrid • Paris

GROUP FINANCIAL CONTROLLER

An excellent opportunity has arisen for someone to develop this newly created role. The Group concerned is of medium size, situated in the City, with offices overseas, and is principally involved in providing services to a number of mutual insurance companies.

The ideal candidate will be a Chartered Accountant with approximately two years' post-qualification experience and should possess good presentation and communication skills.

Please apply, enclosing a copy of your CV, to:-
Hannah Schulze, Personnel Director, Charles Taylor & Company Limited,
International House, 1 St Katharine's Way, London E1 9UN.

هكذا من الاصل

COMMODITIES AND AGRICULTURE

Gold price bursts through technical barrier to $407

By Kenneth Gooding, Mining Correspondent

Gold's price yesterday burst conclusively through US$404 a troy ounce – an important technical barrier – to close in London at $407, up $4.10 an ounce.

Traders were taken by surprise by the upward movement as many expected gold to fall in value yesterday and went short - or sold gold they did not own in the expectation of buying it at a lower price and pocketing the difference. The price rise also sparked more buying by US hedge funds and the "shorts" had to scramble to cover.

"A number of people at the start of the day thought gold was on its way down. But it did not work out that way and they panicked and sent it up to $407," said Mr Alan Baker, executive director of bullion trading at Deutsche Morgan Grenfell.

He suggested that the price might ease back in the immediate future "but we will see it higher this year". Mr Baker suggested $420 to $440 an ounce was possible.

He added: "There has been a complete change of atmosphere [in the gold market]. We are now in a bull market and in a bull market all news seems to be bullish. But the market is long overdue for an interesting year".

Traders said there had been a surprising lack of selling yesterday when gold went above $404 an ounce. Australian gold producers, who usually take advantage of upward jumps in the price to sell forward, were noticeably absent on this occasion, they added.

Gold bears still insisted that, although the price might reach $420 during this renewed period of price volatility, it was likely to slip back to well below $400 later. "I would be surprised if prices around $420 lasted more than one month. Prices in that area should bring out between 300 to 500 tonnes of disinvestment selling from the Middle East," said Mr Ted Arnold, analyst at the Merrill Lynch, in the financial services group's latest Commodity Market Trends newsletter.

Wheat crop forecast to bounce by 22m tonnes

By Deborah Hargreaves

World wheat output could reach 553m tonnes this year – up from 531m tonnes last year – as producers in main exporting countries respond to sharply higher prices, according to the International Grains Council. The council reports in its latest monthly outlook that prospects for this year's crop are generally favourable.

The crop is expected to be the highest for three years and could ease the current supply tightness. If conditions in the main growing regions continue to be normal this year's crop will cover world consumption, which is expected to be 545m tonnes, and allow a small rise in stocks.

The estimate for world stocks by mid-year remains at a 20-year low of 90m tonnes.

The European Union further curbed the flow of wheat to the world market by imposing an export tax in December, the IGC said. The tax was attacked yesterday by the Grain and Feed Trade Association, which said it was "not an appropriate policy instrument."

"Left to its own devices, the market will ensure appropriate rationing of grain and feed products, and such an important function should not be in the hands of a few bureaucrats," the association said.

Gafta called for the reduction of set-aside to allow EU farmers to respond to market trends. The grains council forecasts a rise in acreage for wheat plantings this year of some 3 to 5 per cent in the EU.

The council said the availability of wheat supplies this year would depend on the amount of coarse grains for the livestock sector. The forecast for world production this year is 4m tonnes lower at 795m tonnes with stocks expected to fall to 86m tonnes – 3m tonnes lower than the previous estimate.

Coffee market hits 7-week highs

By Deborah Hargreaves

Coffee prices hit 7-week highs yesterday as the March futures contract at the London Commodity Exchange rose by $49 a tonne to $1,955. Trade was light, however, and traders did not believe the meeting of the Association of Coffee Producing Countries that broke up yesterday had contributed much to the price rise.

The ACPC yesterday reiterated its decision to keep in place its export retention scheme beyond June 1996. It said the scheme last year which resulted in 29m bags of exports between June and December, had led to a large drop in coffee stocks held by consuming countries.

Consumer stocks were at their lowest level for seven years at just below 8m bags.

"Notwithstanding the results of the programme, prices do not yet reflect market fundamentals and are at levels unsatisfactory to producer countries," the organisation said.

The ACPC said it has set up a technical group to review the market situation and study proposals submitted by members. It will also work on the retention scheme to be in place after JUne.

IPE puts back launch of gas futures

By David Lascelles, Resources Editor

The International Petroleum Exchange in London has been forced to postpone the launch of Europe's first forward contract for natural gas because of delays in liberalisation of the UK gas market.

The launch date has been put back about six weeks from March 1. An exact date has not been set.

The main cause of the delay is the postponement of the implementation of the Network Code, the new set of rules for the gas transmission system, from February 1 to March 1. A further period will then be needed to ensure that the system for validating physical deliveries under the contract has worked successfully for a full contract cycle of six weeks.

Initially, only monthly contracts for delivery of gas to Bacton will be traded. Depending on their success, contracts for the other five delivery points may be introduced.

The date for full balancing of the gas network has also been postponed by three months to September 1, which means that traders will have less incentive to trade gas actively much before then.

The Securities and Investments Board has created further problems by requiring all the exchange's gas associate members to be authorised by the Securities and Futures Authority, which could take 12 weeks.

Australia to scrap wool debt levy

By Nikki Tait in Sydney

Australian woolgrowers, who have been battling drought and slumping prices, finally got some good news yesterday when the federal government announced that it would abolish the 4.5 per cent tax levied to help pay off the A$2.8bn industry debt that built up under the now abandoned guaranteed price scheme.

Senator Bob Collins, the federal primary industries minister, described the move as "the first major step in removing the burden the industry has been carrying since the collapse of the Reserve Price Scheme".

He said the tax would be eliminated from July 1. A significant portion of the debt – about A$1.4bn – remains, but this will now be serviced solely by sales of the large wool stockpile, which also built up under the previous pricing scheme. For the past year, Wool International, set up to handle the stockpile problem, has been steadily reducing this hoard through a fixed schedule of sales.

"Wool International will continue to be able to meet its debt servicing commitments from sale of the wool stockpile under the fixed disposal scheme, which will not be affected in any way by this decision," said Senator Collins.

The annual amount levied under the wool tax has been over A$100m. The 4 per cent tax on growers to fund industry promotion and research and development will remain.

Announcing the levy's abolition, Senator Collins also said that negotiations between China and the Commonwealth Bank of Australia over a credit line, said to be around A$300m, to help Chinese importers buy Australian wool were progressing.

The slump in wool prices in the second half of 1995 was largely attributed to the absence of Chinese buyers at Australian auctions. As prices fell, growers became increasingly concerned that WI's constant stream of stockpile sales were compounding the downturn – and pressure grew for some form of government relief grew.

Japanese concede iron ore price rises

By Nikki Tait

Australian iron ore producers yesterday announced that they had reached agreement with the Japanese steel mills, their major customers, for price rises ranging from just under 5 per cent to over 7 per cent in the 1996 contract year.

Broken Hill Proprietary, the Australian resources group, was the first to reveal an outcome to the annual round of negotiations, saying it had won increases ranging from just under 5 per cent to 6 per cent for its Mount Newman ore.

BHP said that the increases equated to a price of 28.78 US cents a dry long ton unit for Mount Newman fines, up by 6 per cent on the 1995 figure, and 37.63 cents for Mount Newman lump, a rise of 4.99 per cent. The company noted the rising premium for lump ore, saying that this had increased from 7.60 cents to 8.90 cents, or 13.3 per cent, over the past two years. The new prices will apply from April 1.

Within hours, Melbourne-based North also announced a 7.4 per cent price increase for its Robe River iron ore fines, with the guaranteed minimum volume of 12.5m dry long tones. Mr Malcolm Broomhead, executive director of operations, described the increase as "a very good outcome".

Shares of the major iron ore producers generally rose on news of the Toyko negotiations' outcome.

BHP was 18 cents higher at A$18.63, while CRA increased by a similar amount to A$19. Some nervousness had surrounded this year's negotiations, with Australian companies appearing anxious to lower expectations of a major price rise before the talks started. Market forecasts had been pitched around the 5 per cent mark.

In the previous year the Australian producers won their first iron ore price increase from the Japanese for three years – seven per cent on average. However, the continued difficulties being faced by the Japanese steel industry were thought likely to make further increases tough to negotiate.

Guyanese sugar harvest below target

By Canute James

Guyana's 1995 sugar harvest yielded 249,840 tonnes of raws, 2,160 tonnes less than 1994 production and 14,160 tonnes below the industry's production target.

Production was affected by a prolonged dry spell last year, according to the Guyana Sugar Corporation. But the year's output allowed Guyana to meet its export quota commitments to the European Union and the US, satisfy domestic demand and sell to other countries in the region.

Barbados, whose production has been declining, imports Guyanese sugar for the domestic market. The Guyana industry has forecast 1996 production of 282,000 tonnes.

● Boosted by good crop prospects after four years of drought, South Africa is exploring sugar export markets closer to home while at the same time maintaining traditional export commitments, industry officials said, reports Reuters from Johannesburg.

Industry officials said good rains should boost output by some 25 per cent to 2.1m tonnes next season, doubling the amount available for export in 1996-97.

About 300,000 tonnes of the crop was effectively committed under long-term supply agreements, mainly with Far East countries, including Japan and Korea, said the South African Sugar Association's export manager Mr Andrew Barr-Sim.

Surinam backs off from logging debate

By Canute James in Kingston

Mounting local and foreign opposition has forced legislators in Surinam to postpone a parliamentary debate about contracts that the government wants to award to a Malaysian company to log about 10m acres of rainforest.

The proposed contract to the Berjaya Group Berhard is being opposed amid charges, denied by the company, that it has a poor environmental record in logging in Malaysia.

The inhabitants of the area that contains the proposed concession, Amerindians and the Maroon tribe, which make up 15 per cent of the country's 400,000 population, have created a political party to oppose the logging venture.

They say parliamentary debate of the contract should take place after general elections, which are scheduled for May 23.

This follows objections to the proposed contract to the Malaysians from local and foreign conservationists. The Dutch and US governments and the World Bank have also expressed reservations about the contract.

The proposed concession is in the Amazon Basin, and comprises about 10 per cent of Surinam. Government officials say the contract could ease pressure on the hard-pressed economy of the former Dutch colony on the north-east coast of South America.

"The people in the interior will not accept the contracts in their present form," according to a statement from the recently-formed Surinam Democratic Union, the party created by the tribes in the interior.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1542.5-43.5	1571-72
Previous	1550-51	1580-81
High/low	1547/1545	1586/1565
AM Official	1546-46.5	1575-75.5
Kerb close		1565-65.5
Open int.	219,398	
Total daily turnover	33,556	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1365-75	1400-405
Previous	1360-70	1395-400
High/low		1405/1400
AM Official	1360-60	1391-92
Kerb close		1390-400
Open int.	4,813	
Total daily turnover	1,413	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	733.5-34.5	726.5-27.0
Previous	734-36	727-35
High/low	731	728/723
AM Official	731-32	724-25
Kerb close		723-24
Open int.	32,530	
Total daily turnover	5,330	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8190-200	8290-300
Previous	8260-70	8355-60
High/low	8220	8445/8270
AM Official	8230-35	8330-35
Kerb close		8270-80
Open int.	40,875	
Total daily turnover	9,452	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6305-15	6340-50
Previous	6285-305	6330-35
High/low	6315/6310	6450/6310
AM Official	6310-15	6350-60
Kerb close		6320-30
Open int.	14,691	
Total daily turnover	4,442	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1041-42	1061-62
Previous	1045.5-46.5	1067-68
High/low	1047/1046	1070/1058
AM Official	1046.5-47	1066-67
Kerb close		1058-9
Open int.	76,134	
Total daily turnover	42,648	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2548-53	2497-98
Previous	2560-65	2511-12
High/low	2560/2556	2533/2483
AM Official	2555-57	2510-11
Kerb close		2484-5
Open int.	172,208	
Total daily turnover	55,820	

■ LME AM Official £/$ rate: 1.5173
LME Closing £/$ rate: 1.5176

Spot: 1.5070 3 mths: 1.5043 6 mths: 1.5018 9 mths: 1.4986

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open Int.
Jan	117.00	-1.80	119.00	117.25	228	1,273
Feb	115.40	-2.55	118.00	115.40	218	1,674
Mar	113.60	-2.60	116.60	113.50	6,889	26,989
Apr	112.25	-2.55	113.80	112.60	16	922
May	111.15	-2.55	113.25	111.00	543	8,138
Jun	110.40	-2.50	-	-	2	727
Total					8,255	48,982

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	406.80-407.20		
Opening	402.50-402.90		
Morning fix	403.35	266.027	478.575
Afternoon fix	406.60	268.347	482.309
Day's High	407.60-408.00		
Day's Low	402.50-402.90		
Previous close	402.70-403.10		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.20	6 months	2.77
2 months	3.17	12 months	2.54
3 months	3.10		

Silver Fix	p/troy oz.	US cts equiv.
Spot	363.70	551.75
3 months	368.40	557.80
6 months	372.80	563.45
1 year	382.40	576.30

Gold Coins	$ price	£ equiv.
Krugerrand	402-405	265-267
Maple Leaf	418.75-421.35	
New Sovereign	94-97	62-64

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int.
Jan	406.8	+3.2	-	-	4	-
Feb	406.7	+3.2	408.4	402.8	36,591	73,420
Apr	409.4	+3.3	411.2	405.2	18,933	53,036
Jun	411.3	+3.3	413.0	407.1	1,351	28,203
Aug	412.5	+3.2	414.0	412.6	957	10,444
Oct	414.4	+3.1	-	-	-	-
Total					59,995	220,880

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int.
Jan	422.6	+4.3	-	-	1	1
Apr	426.1	+4.3	430.0	422.5	111	19,830
Jul	427.8	+4.3	431.0	427.5	14	2,909
Oct	429.5	+4.3	432.0	429.5	16	1,108
Jan	431.1	+4.3	434.0	434.0	2	34
Total					3,665	23,882

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int.
Mar	131.25	+1.20	132.75	129.75	608	4,711
Jun	132.65	+1.30	134.00	130.75	190	1,470
Dec	135.15	+1.35	-	-	1	130
Total					799	6,311

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int.
Jan	555.4	+5.9	557.0	557.0	1	2
Mar	558.5	+6.6	563.5	549.0	16,945	68,294
May	563.3	+6.6	[illegible]	558.0	562	14,424
Jul	567.4	+6.4	572.5	565.0	127	7,961
Sep	571.3	+6.3	575.0	570.0	66	9,402
Dec	577.3	+6.2	582.0	576.0	413	8,002
Total					18,200	160,160

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open Int.
Mar	17.86	-0.42	18.26	17.83	40,882	80,603
Apr	17.54	-0.34	17.90	17.52	20,604	46,262
May	17.40	-0.24	17.88	17.41	8,607	31,311
Jun	17.32	-0.20	17.56	17.30	6,591	35,765
Jul	17.25	-0.16	17.38	17.20	1,449	25,425
Aug	17.16	-0.14	17.26	17.18	1,620	17,280
Total					[illegible]	[illegible]

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open Int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open Int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ GAS OIL PE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open Int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open Int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open Int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open Int.
Mar	122.55	+0.20	122.75	122.00	[illegible]	2,370
May	124.90	+0.10	124.75	124.80	253	3,310
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHEAT CBT; ■ MAIZE CBT; ■ BARLEY LCE; ■ SOYABEANS CBT; ■ SOYABEAN OIL CBT; ■ SOYABEAN MEAL CBT; ■ POTATOES LCE; ■ FREIGHT (BIFFEX) LCE

	Sett price	Day's change	High	Low	Vol	Open Int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FUTURES DATA
All futures data supplied by CMS.

Wool
[illegible]

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open Int.
Mar	909	-3	911	908	1,369	25,346
May	920	-4	[illegible]	925	1,180	16,775
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA CSCE; ■ COCOA (ICCO); ■ COFFEE LCE; ■ COFFEE 'C' CSCE; ■ COFFEE (ICO); ■ No7 PREMIUM RAW SUGAR LCE; ■ WHITE SUGAR LCE; ■ SUGAR '11' CSCE; ■ COTTON NYCE; ■ ORANGE JUICE NYCE

	Sett price	Day's change	High	Low	Vol	Open Int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100); ■ CRB Futures (Base: 1967=100); ■ GSCI Spot (Base: 1970=100)

[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open Int.
Feb	63.400	-0.050	63.800	63.225	8,773	22,940
Apr	63.525	-0.425	64.075	63.450	9,500	23,085
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open Int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	47.825	-0.400	48.250	47.750	98	3,259
Oct	44.150	-0.575	44.775	44.100	27	1,572
Total					8,194	37,205

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open Int.
Feb	55.025	+2.000	55.025	53.150	1,154	3,809
Mar	54.975	+1.825	55.100	53.200	431	1,882
May	55.175	+1.475	55.700	53.750	334	1,194
Jul	55.950	+1.350	55.975	54.650	88	840
Aug	53.150	+1.125	53.650	52.000	9	228
Total					2,017	7,483

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Feb	Apr	Feb	Apr
1500	50	[illegible]	6	[illegible]
1600	5	37	63	75
1700	-	12	-	149
■ COPPER (Grade A) LME	**Feb**	**Apr**	**Feb**	**Apr**
2400	140	[illegible]	3	42
2500	60	82	25	[illegible]
2600	16	43	78	145
■ COFFEE LCE	**Mar**	**May**	**Mar**	**May**
1500	455	298	-	28
1550	405	255	-	40
1600	356	219	1	54
■ COCOA LCE	**Mar**	**May**	**Mar**	**May**
850	60	87	2	7
875	38	67	5	9
900	22	50	14	20
■ BRENT CRUDE IPE	**Mar**	**Apr**	**Mar**	**Apr**
1650	-	60	20	-
1700	21	25	30	-
1750	12	17	74	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar)		+or-
Dubai	$15.75-5.91w	-0.600
Brent Blend (dated)	$17.00-7.05	-0.395
Brent Blend (Mar)	$16.60-6.65	-0.345
W.T.I.	$17.73-7.74w	-0.430

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$166-168	
Gas Oil	$159-160	+1
Heavy Fuel Oil	$95-97	
Naphtha	$166-169	-1
Jet fuel	$179-181	
Diesel	$164-166	

Petroleum Argus. Tel. London (0171) 359 8792

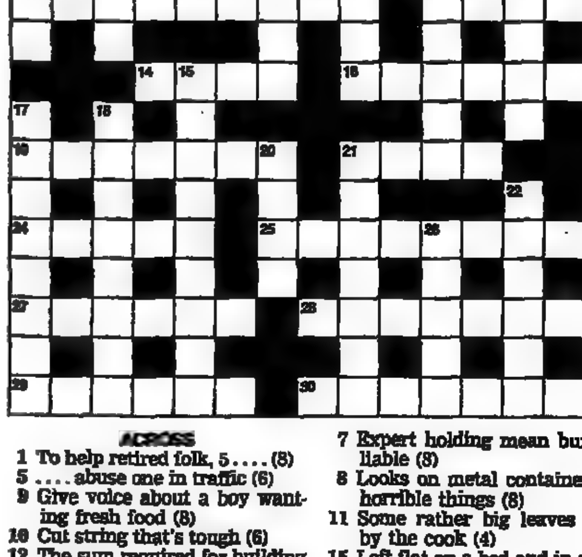
■ OTHER		
Gold (per troy oz)♣	$407.00	+4.10
Silver (per troy oz)♣	559.5c	+7.5
Platinum (per troy oz.)	$421.00	+3.15
Palladium (per troy oz.)	$129.00	+0.75
Copper	119.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.89m	+0.04
Tin (New York)	298.5c	
Cattle (live weight)†	119.39p	+1.34*
Sheep (live weight)†♣	124.81p	+3.46*
Pigs (live weight)†	111.03p	+0.29*
Lon. day sugar (raw)	$315.0	+0.4
Lon. day sugar (wte)	$378.0	+1.0
Barley (Eng. feed)	119.0u	
Maize (US No3 Yellow)	41.73z	
Wheat (US Dark North)	Unq	
Rubber (Feb)♥	104.75p	-0.50
Rubber (Mar)♥	104.75p	-0.50
Rubber (KL RSS No1)	391.00m	
Coconut Oil (Phil)§	$745.0y	+2.5
Palm Oil (Malay.)§	$535.0y	+10.0
Copra (Phil)§	478.0	
Soyabeans (US)	211.0	
Cotton Outlook'A' index	87.20	
Wooltops (64s Super)	450p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Jan. u Feb. ♥ w Mar. y Feb/Mar. x Oct/Dec. London Physical. § CIF Rotterdam. ♣ Bullion market close. ♣ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,977 Set by VIXEN



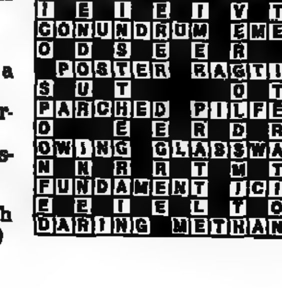
ACROSS

1 To help retired folk, 5.... (8)
5 .... abuse one in traffic (6)
9 Give voice about a boy wanting fresh food (8)
10 Cut string that's tough (6)
12 The sum required for building work (9)
13 Taking time to muse (5)
14 Make progress with due deference (4)
16 The dotty type! (7)
19 Unusually nice lad from the country (7)
21 The head quietly scoffed (4)
24 Spoke about the little page being most pleasant (5)
25 Think to put money into some high-risk investment (9)
27 A witty saying about a continental lot (6)
28 Force might affect one's view of things (8)
29 Fears sadder outcome (6)
30 Leftist accepting a few lines must be withdrawn (8)

DOWN

1 Act before a girl mounts a hanging in the church (6)
2 Charge everybody say a quarter (5)
3 The crest where soldiers possibly dig in (5)
4 Wound dressing (7)
6 Coarse yet popular English supporter, a hard worker (9)
7 Expert holding mean bungler liable (8)
8 Looks on metal containers as horrible things (8)
11 Some rather big leaves used by the cook (4)
15 Left flat on a bed and in a bad way (9)
17 Initial care needed to get an evergreen settled (5-3)
18 The odd people he would allow a private viewing (8)
20 A suggestion to discourage (4)
21 Shave beforehand and get ready (7)
22 Artificial flowers (6)
23 Imprisoned nowadays for a five year stretch (6)
26 The employment of superior natural flavouring (5)

Solution 8,976



INTERNATIONAL CAPITAL MARKETS

Rising gold prices and default concerns drag Treasuries lower

By Lisa Bransten in New York and Martin Brice in London

US Treasuries were hit by rising gold prices, supply pressures and fears of default, causing European government bonds to erase their early gains. French bonds slipped on disappointment an expected interest rate cut failed to arrive and UK gilts fell through support levels in technical trading. German bonds fell in spite of data pointing to weak inflation, and Swedish bonds had another volatile day.

■ An increase in gold prices, supply pressures generated by Wednesday's auction of five-year notes and nervousness about a possible default by the US sent Treasury prices lower in early trading yesterday.

Near midday, the benchmark 30-year Treasury was $\frac{11}{32}$ lower at $110\frac{5}{32}$, to yield 6.095 per cent, while at the short end, the two-year note was off $\frac{1}{32}$ at $99\frac{29}{32}$, yielding 5.100 per cent.

In early trading, the five-year note led the market lower as dealers distributed bonds purchased at Wednesday's auction. By early afternoon, the five-year Treasury was $\frac{1}{4}$ lower at $99\frac{21}{32}$, to yield 5.380.

Mr Kevin Sluder, a senior fixed-income trader at First Chicago NBD, attributed yesterday's losses mostly to distribution of the securities from the auction, but said there were some "jitters" in the market about the possibility that the US could default on its obligations.

Late Wednesday, Moody's Investor Services, the US credit rating agency, sent a chill through the soaring market by putting $387bn of US Treasury debt on review for a potential downgrade.

Treasury Secretary Robert Rubin said earlier this week that the Treasury would not be able to meet its obligations after March 1 unless Congress raised the federal borrowing limit.

Also putting pressure on bonds were gains in the price of gold and rumours that some large hedge funds were selling bonds to buy gold. In late morning trading, the price of gold pushed through $107 an ounce, its highest level in 2½ years.

Economic data out yesterday, however, was supportive of the consensus that the economy is slowing. Existing homes sales fell 3.2 per cent in December to 3.9m, the first time since July that they have been below 4m. There were 97,000 new claims for unemployment benefits last week, the biggest jump since July. However, analysts attributed at least part of the rise to the blizzard and the government shutdown that caused many people to put off filing claims until last week.

GOVERNMENT BONDS

■ German bonds started strongly but fell later in line with Treasuries. Economic data from Baden-Wuerttemberg and Bavaria had little impact since it merely confirmed a benign inflation outlook.

The yield on benchmark two-year paper rose 1 basis point and that on 10-year paper by 3 basis points, with the spread between the two maturities increasing 2 basis points to 226. On Liffe, the March 10-year bund future closed at 100.63, down 0.55 on the day. The yield spread of 10-year bunds over Treasuries moved from 10 basis points to 8 basis points.

■ French bonds were unsettled by the weaker franc yesterday, the lack of a cut in the intervention rate and the fall in Treasuries. On Matif, the March 10-year future settled at 122.92, down 0.02, while March Pibor fell 0.06 to 95.32. The spread over 10-year German paper tightened 4 basis points to 51.

■ Italian bonds were troubled by domestic politics, and the spread over Germany widened 10 basis points to 446. In a volatile day's trading, the future opened at 112.55 and hit a low of 111.45 before closing at 111.53, down 0.88.

Traders said there had been a bout of profit-taking and sentiment was affected by the lack of progress in agreeing a new government.

■ Swedish bonds had a volatile day and the yield spread over German 10-year paper widened from 245 basis points to 262 basis points. The yield on five-year paper rose 23 basis points, although some traders said the market was oversold and there might be a squeeze today. Much of the selling was said to have been done by domestic investors.

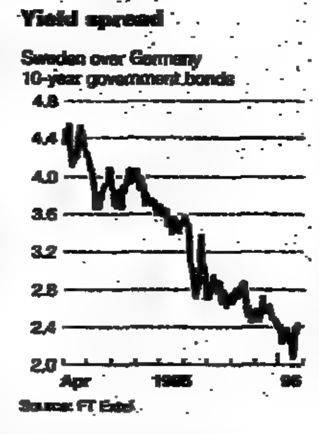
Mr James Stewart, head of research at Enskilda, said: "Although there are risks in this market, it would be unwise to exaggerate them. On a fundamental basis, there is clear evidence of a slowing of growth and a moderation of inflation."

■ UK government bonds spent the day in largely technical trading after opening firmer on the back of the surge in Treasuries overnight and strength in the bund market. The long gilt future on Liffe tested the 112.08 level and ran into aggressive selling that drove it down to close at $111\frac{11}{32}$, off ⅝. A trader said: "The rot had set in before the US opened."

The 10-year yield spread over Germany widened by 3 basis pints to 165, and some traders say it could go to about 175 before the auction on Wednesday of the 8 per cent stock, due 2000. Supplies of that bond have become tight; some traders attribute this to attempts by large investors to acquire much of the stock before the auction, making it expensive for others to short it.

Yield spread

Sweden over Germany
10-year government bonds



Source: FT Extel

● The Bank of England yesterday outlined its plans for an official facility to strip UK government bonds, allowing the principal and coupon of a bond to be held and traded separately, writes Richard Lapper. The plans were first announced last year.

The Bank confirmed that strips would "probably not" be introduced before the introduction early next year of the electronic gilts settlement system. It said both coupon and principal strips would be fully fledged gilts and liabilities of the UK government.

It added that strips would be traded in the same way as coupon-bearing gilts and that initially only conventional gilts – rather than index-linked gilts – would be stripped.

The Bank said it did not intend to issue zero coupon gilts directly. This possibility, and the possible extension of stripping to the index-linked market would be considered in the light of experience.

Chicago exchanges to discuss merger

By Richard Lapper

Chicago's two futures exchanges are to examine the potential "for common initiatives, including a possible merger", following a meeting this week between senior executives at the two markets.

The move revives an idea which was downplayed earlier this month by the Chicago Board of Trade (CBoT) and the Chicago Mercantile Exchange (CME), the world's two biggest organised derivatives markets.

Traditionally competition between the two Chicago markets has been intense but both are under pressure to cut costs as a result of a decline in volumes last year and increasing international competition.

Mr Jack Sandner, chairman of the CME, and Mr Patrick Arbor, chairman of the CBoT, will co-chair a joint strategic committee which will explore the potential for co-operation.

"Everything on the table from buying pencils together to merging," said Mr Sandner. "I am very enthusiastic about the potential of our two institutions coming together in a number of technological initiatives, co-operative efforts and cost-cutting measures that will enhance our competitive position in the world."

Mr Arbor said the "agenda of this joint committee is to focus on common initiatives that will better the interests of our members and customers".

Professor Merton Miller of the Chicago University's Graduate Business School, will serve as executive director of the committee, whose other members include representatives of member firms and traders at both markets, and senior figures in the US derivatives industry, including Mr Leo Melamed and Mr Richard Sandor.

Bayerische Landesbank issue hit by fall in prices

By Conner Middelmann

Volatile conditions in the underlying government bond markets spelt a turbulent ride for some of yesterday's new bond issues.

In the D-Mark sector, the biggest casualty of the late decline in prices was a DM1.5bn 10-year issue for Bayerische Landesbank, launched late in the day. Priced at 25 basis points over bunds, the yield spread narrowed to 22 basis points as the underlying bund market spiked lower, and widened to 27 basis points after the bonds were freed to trade.

The handling of the issue sparked widespread criticism from underwriting banks. "The market was collapsing when they priced it – to price a fixed jumbo into a falling market is a disaster," said one dealer. Another added: "It would have been more sensible to market it on a spread basis overnight and to price it in the morning."

CS First Boston, joint lead manager with Bayerische Vereinsbank and IBJ, admitted the timing had been "unfortunate", but said that the "issuer wanted to do the deal then".

The 10-year D-Mark sector was in poor shape yesterday, staggering under the weight of some DM6.5bn of recently issued bonds. As a result, spreads on new bonds have widened by about 3-4 basis points from their launch levels, dealers said.

In the US dollar sector, two issuers managed to exploit a loophole in regional Swiss tax regimes, which treats capital gains accruing to private investors in certain cantons more favourably than income, by issuing low-coupon bonds at a discounted price.

INTERNATIONAL BONDS

BNG, the Dutch municipal bank, took advantage of this opportunity to issue $200m of 3 par cent, five-year bonds at a 89.80 re-offer price, yielding flat on US Treasuries. "Investors get a lot of upside from the loophole, so they are willing to take paper that's flat to Treasuries," said a syndicate manager at lead manager ABN AMRO Hoare Govett.

Shortly afterwards, SBC Jersey Branch tapped into the same pool of investors with a $250m issue of 3 per cent five-year bonds via SBC Warburg.

Dresdner Finance issued $300m of six-year bonds targeted mainly at European retail investors, although some also went to UK institutions, said a dealer at Merrill Lynch, joint bookrunners with DKB and Dresdner Bank. The bonds yielded 24 basis points over the five-year Treasury.

Abbey National was busy in the sterling sector. It reopened an issue of perpetual preference shares it launched last October, doubling it by another £100m. The paper was priced to yield 185 basis points over gilts.

Abbey National also did a £75m structured floating-rate note issue via BZW, driven in part by a handful of large institutional buyers.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Dresdner Finance	300	5.625	99.637R	Feb.2002	0.275R	+24(5¼%-01)	DKB/Dresdner/Merrill Lynch
SMC Corp.(a)ф	300	3.125	100.00	Feb.2001	2.25	-	Nikko Europe
SBC Jersey Branch	250	3.00	89.82R	Feb.2001	0.25R	flat(5¼%-01)	SBC Warburg
BNG	200	3.00	89.80R	Feb.2001	0.25R	flat(WI 5yr)	ABN Amro HG/PaineWebber
CSFP(b)	50	2.00	101.25	Feb.2000	0.65	-	CS First Boston
D-MARKS							
Bayerische Landesbank	1.5bn	6.00	99.53R	Feb.2006	0.325R	+25(6%-06)	BayerLB/CSFB/IBJ(Deutsch)
SGZ Bank	300	5.75	101.80	Feb.2003	2.25	-	ABN Amro/Lehman Bankhaus
Spintab‡	200	(c)	99.964	Feb.1998	0.10	-	SBC Warburg
LW Rentenbank‡	100	(d)	95.50R	Mar.2006	0.325R	-	Morgan Stanley Bank
STERLING							
Abbey Natl.Treasury Services‡	75	(e)	100.00R	Feb.1998	0.10R	-	Barclays de Zoete Wedd
LUXEMBOURG FRANCS							
Kredietbank Luxembourg	2bn	6.375	102.75	Mar.2006	2.00	-	Kredietbank Luxembourg
Crédit Local de France(f)	2bn	5.75	102.30	May.2003	1.875	-	BIL
AUSTRALIAN DOLLARS							
ABN Amro Australia	100	7.50	101.075	Mar.2000	1.75	-	ABN Amro Hoare Govett
SOUTH AFRICAN RAND							
Deutsche Finance(Neths)	250	15.00	101.15	Feb.2001	1.50	-	Deutsche Morgan Grenfell
CZECH KORUNA							
Swedish Export Credit	2bn	10.00	100.34R	Feb.1997	0.25R	-	Bayerische Vereinsbank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. фWith equity warrants. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Fixing: 31/1/96. $300m 4-yr Asian tranche via Nomura Singapore. b) Convertible into gold at $425 per ounce. Cash settled. c) 6-mth Libor flat. d) 11% - 6-mth Libor. e) 3-mth Libor +15bp for 1st yr, 3-mth Libor flat or 7%pa fixed thereafter at issuers option. f) Long 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	113.4900	+0.020	8.02	8.19	8.33
Austria		6.500	11/05	102.6000	-	6.13	6.11	6.50
Belgium		6.500	03/05	101.3900	-0.180	6.30	6.30	6.72
Canada *		8.750	12/05	111.3700	-0.400	7.12	6.99	7.38
Denmark		8.000	03/06	108.5400	+0.980	6.80	6.85	7.34
France	BTAN	7.000	10/00	106.3750	-0.250	5.41	5.37	5.07
	OAT	7.250	03/06	106.3200	-0.470	6.38	6.31	6.65
Germany Bund		6.000	01/06	101.0900	-0.460	5.85	5.79	6.09
Ireland		8.000	08/06	105.3500	+0.050	7.24	7.22	7.46
Italy		10.500	09/05	102.9500	-0.370	10.03†	9.90	10.69
Japan	No 129	6.400	03/00	117.9960	+0.170	1.73	1.69	1.93
	No 174	4.600	09/04	111.2300	+0.260	2.97	2.92	2.86
Netherlands		6.000	01/06	101.1200	-0.320	5.85	5.77	6.11
Portugal		11.875	02/05	115.6900	-0.090	9.21	9.21	10.14
Spain		10.150	01/06	103.4000	-0.380	9.45	9.28	10.01
Sweden		6.000	02/05	86.0610	-	8.25	7.92	8.70
UK Gilts		8.000	12/00	105-09	-9/32	6.70	6.56	6.83
		8.500	12/05	107-24	-17/32	7.38	7.24	7.42
		9.000	10/08	111-26	-20/32	7.54	7.42	7.59
US Treasury *		5.875	11/05	101-12	-20/32	5.69	5.54	5.73
		6.875	08/25	110-17	-27/32	6.10	5.98	6.06
ECU (French Govt)		7.500	04/05	105.2500	-0.300	6.71	6.64	7.11

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.32	Two year	5.12
Prime rate	8½	Two month	5.26	Three year	5.21
Broker loan rate	7¼	Three month	5.12	Five year	5.41
Fed.funds	6¼	Six month	5.11	10-year	5.78
Fed.funds at intervention	-	One year	5.06	30-year	6.11

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	123.10	122.92	-0.02	123.14	122.80	122,160	138,093
Jun	123.62	123.46	-0.02	123.66	123.40	1,231	12,695
Sep	122.42	122.26	-0.02	122.42	122.30	10	2,080

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Jun
120	-	3.02	-	-	0.13	-
121	1.92	2.19	3.26		0.24	0.78
122	0.92	1.41	-		0.47	1.08
123	-	0.78	1.90	0.08	0.86	1.39
124	-	0.37	1.37	-	-	1.86

Est. vol. total, Calls 27,618 Puts 16,042. Previous day's open int., Calls 190,271 Puts 192,834.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	101.32	100.62	-0.36	101.36	100.63	187746	240954
Jun	100.61	100.10	-0.36	100.61	100.28	1240	9823

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
10050	0.77	0.65	0.87	1.07	0.45	1.05	1.27	1.47
10100	0.50	0.45	0.66	0.84	0.68	1.35	1.56	1.74
10150	0.30	0.30	0.48	0.66	0.98	1.70	1.88	2.06

Est. vol. total, Calls 25465 Puts 10801. Previous day's open int., Calls 198684 Puts 171229

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	112.55	111.49	-0.92	112.55	111.45	60787	62554
Jun	112.20	111.03	-0.91	112.20	111.10	239	2953

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
11100	1.48	2.44	0.99	2.41
11150	1.20	2.19	1.21	2.66
11200	0.96	1.98	1.46	2.93

Est. vol. total, Calls 5795 Puts 2572. Previous day's open int., Calls 78026 Puts 61933

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	98.15	97.29	-0.61	98.19	97.18	74,541	85,870

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	112-04	111-11	-0-20	112-08	111-05	67400	146382
Jun	111-18	110-20	-0-21	111-18	110-29	585	863

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
111	1-09	1-10	1-33	1-60	0-51	1-24	1-57	2-10
112	0-40	0-49	1-05	1-21	1-18	2-09	2-29	2-45
113	0-22	0-31	0-45	0-63	2-00	2-55	3-06	3-23

Est. vol. total, Calls 4710 Puts 2180. Previous day's open int., Calls 29128 Puts 23075

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	92.44	92.02	-0.24	92.44	92.00	2,444	8,361

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	120-31	119-29	-1-00	121-03	119-18	330,205	334,998
Jun	120-23	119-14	-1-01	120-23	119-04	3,813	28,140
Sep	119-30	118-22	-1-08	120-02	118-22	817	5,882

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	119.70	-	-	119.83	119.69	3770	0
Jun	118.20	-	-	118.27	118.17	1157	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Jan 25	Day's change %	Wed Jan 24	Accrued interest	xd adj. ytd		Low coupon yield Jan 25	Low Jan 24	Low Yr. ago	Medium coupon yield Jan 25	Medium Jan 24	Medium Yr. ago	High coupon yield Jan 25	High Jan 24	High Yr. ago
1 Up to 5 years (22)	124.02	-0.04	124.07	2.65	0.12	5 yrs	6.76	6.74	8.68	6.81	6.78	8.68	6.88	6.86	8.88
2 5-15 years (21)	151.96	-0.30	152.41	2.70	0.00	15 yrs	7.59	7.54	8.54	7.63	7.58	8.68	7.71	7.68	8.69
3 Over 15 years (8)	168.17	-0.45	168.94	2.46	1.02	20 yrs	7.70	7.66	8.51	7.75	7.68	8.68	7.77	7.74	8.61
4 Irredeemables (6)	194.89	+0.26	194.38	2.24	0.00	Irred.†	7.75	7.77	8.58						
5 All stocks (57)	146.34	-0.24	146.66	2.66	0.21										

Index-linked	Thu Jan 25	Day's change %	Wed Jan 24	Accrued interest	xd adj. ytd		Inflation 5% Jan 25	Jan 24	Yr. ago	Inflation 10% Jan 25	Jan 24	Yr. ago
6 Up to 5 years (1)	198.46	+0.01	198.44	2.21	0.00	Up to 5 yrs	2.37	2.36	3.88	1.10	1.09	2.67
7 Over 5 years (11)	190.24	-0.23	190.95	1.14	0.00	Over 5 yrs	3.52	3.50	3.94	3.51	3.50	3.74
8 All stocks (12)	190.29	-0.25	190.72	1.16	0.00							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jan 25	Jan 24	Jan 23	Jan 22	Jan 19	Yr ago	High*	Low*
Govt. Secs. (UK)	95.90	96.15	95.98	96.20	96.22	90.61	96.34	90.22
Fixed Interest	114.91	114.73	114.74	115.23	115.01	109.11	115.23	108.77

*for 1995/96. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jan 24	Jan 23	Jan 22	Jan 19	Jan 18
Gilt Edged bargains	84.1	98.7	96.5	101.9	101.8
5-day average	96.4	99.3	99.4	95.6	93.2

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 5:55 pm on January 25

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWISS FRANC STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OTHER STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DEUTSCHE MARK STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FLOATING RATE NOTES					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CONVERTIBLE BONDS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
15¼pc 1996‡‡	14.86	6.12	$102\frac{19}{32}$	$-\frac{1}{32}$	[illegible]	$102\frac{19}{32}$
Exch 13¼pc 1996‡‡	12.97	6.18	[illegible]	[illegible]	[illegible]	[illegible]
Conversion 10pc 1996	[illegible]	5.95	[illegible]	[illegible]	[illegible]	[illegible]
Treas 13¼pc 1997‡‡	12.38	5.91	107	[illegible]	[illegible]	[illegible]
Exch 10½pc 1997	10.04	5.94	[illegible]	[illegible]	[illegible]	[illegible]
Treas 8½pc 2005‡‡	7.88	7.37	[illegible]	[illegible]	[illegible]	[illegible]
7½pc 2006‡‡	7.45	7.38	[illegible]	[illegible]	[illegible]	[illegible]
7¾pc 2006‡‡	7.57	7.42	[illegible]	[illegible]	[illegible]	[illegible]
8pc 2002-6‡‡	7.73	7.53	[illegible]	[illegible]	[illegible]	[illegible]
Treas 11¾pc 2003-7	9.45	7.26	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Index-Linked; Other Fixed Interest

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

صكذا من الاصل

CURRENCIES AND MONEY

MARKETS REPORT

Tensions over monetary union lift the D-Mark

By Graham Bowley

Political worries and renewed tensions over European monetary union hit the Italian lira and French franc yesterday as the D-Mark emerged as the most favoured safe-haven currency.

The D-Mark's gains brought the dollar's recent rise to an abrupt end for most of the session before the dollar surged in late trading on reports that a German official had said he favoured a weaker D-Mark.

Worries that the US government might default on its debt obligations, which caused a sharp sell-off in US government bonds, continued to dog the US currency.

The Canadian dollar fell after the Bank of Canada cut short-term interest rates and on news of a cabinet reshuffle.

The Swedish krona and Finnish markka came under pressure over fears that slower growth could undermine these countries' fiscal positions.

■ Foreign exchange markets saw a fair degree of volatility yesterday as worries about the US budget stand-off, European monetary union and speculation about cuts in US and European interest rates buffeted currencies.

Fears that slower growth across Europe might mean some countries would not meet the Maastricht criteria for monetary union continued to unnerve currency markets.

Signs of political unrest in France and Italy added to these concerns. Investors fear the French and Italian governments may not be strong enough to push through planned cuts in government spending necessary to satisfy the criteria, analysts said.

■ Pound in New York

Jan 24	Close	Prev. close
£ spot	1.5075	1.5115
1 mth	1.5065	1.5105
3 mth	1.5047	1.5086
1 yr	1.4998	1.4998

Mr Paul Meggyesi, currency strategist at Deutsche Morgan Grenfell, said: "There is a simmering feeling that if social unrest does come back to the fore in France then the government would be vulnerable and the franc would suffer."

Rumours that the French and German authorities might be planning a devaluation of the franc and that the franc might then be pegged more closely to the D-Mark were denied by the French and German authorities but nevertheless caused some franc weakness.

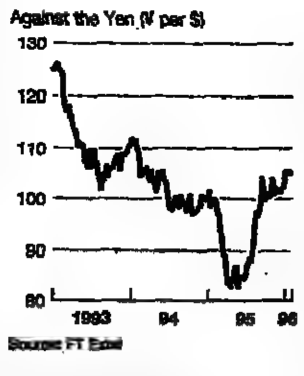
The Bank of france left its intervention rate unchanged at its securities repurchase tender, despite speculation that the rate might fall following Wednesday's drop in the German repo rate.

The franc finished weaker against the D-Mark, at FFr3.439 from FFr3.430.

The lira closed at L1,078 against the D-Mark, from L1,075, following speculation that an early general election might be called in Italy.

Dollar

Against the Yen (¥ per $)



Source: FT Extel

■ A news report that German finance ministry officials favoured a stronger dollar close to DM1.60 caused a late rally in the US currency.

Mr David Brown, an economist at Bear Stearns, said the dollar's volatile movements through the day were "symptomatic of the current nervous state of the markets due to the risk of debt default in the US and political risk in Europe".

The dollar began the European session lower after an overnight sell-off. Continued nervousness over the US budget and reports that Moody's, the international credit rating agency, had placed $387bn of US debt on review for possible downgrade then weighed on the currency.

The dollar finished in London at DM1.4763 from DM1.4803. It finished against the yen at Y106.4850, from Y106.7650.

■ The Canadian dollar ended the European session lower after the Bank of Canada cut its target range for the overnight financing rate by a quarter-point.

It closed at C$1.3766 from C$1.3687 against the US dollar.

The Swedish krona ended sharply lower against the D-Mark at SKr4.660 from SKr4.632 despite the decision by the Swedish central bank to leave interest rates unchanged.

The finnish markka also lost ground against the D-Mark. "Markets suspect that given the slowdown in Finland, the authorities cannot afford or maintain a strong interest rate policy," said Mr Meggyesi.

■ The pound was left largely on the sidelines as movements elsewhere in the currency markets dominated. Sterling ended slightly lower against the D-Mark, finishing at DM2.2361 from DM2.2397. It finished slightly higher against the dollar at $1.5147 from $1.513.

Sterling's trade-weighted exchange rate index was unchanged at 83.1.

■ OTHER CURRENCIES

Jan 25	£	$
Czech Kr	41.0621 - 41.1043	27.1180 - 27.1280
Hungary	213.298 - 213.507	140.860 - 140.910
Iran	4545.60 - 4542.60	3000.00 - 3000.00
Kuwait	0.4540 - 0.4547	0.2998 - 0.3001
Poland	3.8340 - 3.8403	2.5320 - 2.5345
Russia	7163.86 - 7163.68	4726.00 - 4731.00
UAE	5.5611 - 5.5655	3.6726 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Jan 25		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7254	-0.0253	171 - 337	15.7829	15.6961	15.6819	3.3	15.6379	2.2	-	-	106.2
Belgium	(BFr)	45.9742	-0.0816	514 - 969	46.2900	45.9120	45.8592	3.0	45.6542	2.8	44.8142	2.5	108.6
Denmark	(DKr)	8.6484	-0.0143	440 - 527	8.6728	8.6391	8.6346	1.9	8.6097	1.8	8.5099	1.6	108.4
Finland	(FM)	6.8728	+0.0158	654 - 802	6.9120	6.8610	6.8684	0.8	6.8603	0.7	-	-	85.2
France	(FFr)	7.6887	+0.009	846 - 927	7.7068	7.6854	7.6769	1.8	7.6582	1.6	7.5897	1.4	109.5
Germany	(DM)	2.2361	-0.0036	350 - 372	2.2445	2.2318	2.2305	2.9	2.2209	2.7	2.1784	2.6	110.8
Greece	(Dr)	369.844	+0.173	631 - 057	371.287	368.397	-	-	-	-	-	-	66.9
Ireland	(I£)	0.9642	-0.0007	632 - 651	0.9664	0.9630	0.9633	1.1	0.9619	1.0	0.9579	0.7	98.0
Italy	(L)	2411.02	+2.32	947 - 258	2426.84	2403.92	2417.97	-3.5	2431.12	-3.3	2486.02	-3.1	72.7
Luxembourg	(LFr)	45.9742	-0.0816	514 - 969	46.2900	45.9120	45.8592	3.0	45.6542	2.8	44.8142	2.5	108.6
Netherlands	(Fl)	2.5048	-0.004	033 - 056	2.5155	2.4993	2.4974	3.4	2.485	3.1	2.4351	2.8	108.7
Norway	(NKr)	9.7988	-0.014	938 - 035	9.8338	9.7763	9.7885	1.2	9.767	1.3	9.6858	1.2	98.7
Portugal	(Es)	232.355	+0.299	203 - 507	232.959	231.809	232.78	-2.2	233.685	-2.3	-	-	95.5
Spain	(Pta)	189.282	+0.545	130 - 365	189.831	188.477	189.747	-3.1	190.692	-3.0	194.917	-3.0	81.8
Sweden	(SKr)	10.4169	+0.0507	057 - 278	10.4994	10.3367	10.4187	-0.2	10.4225	-0.2	10.4376	-0.2	86.0
Switzerland	(SFr)	1.7984	-0.0013	960 - 007	1.8051	1.7966	1.7924	4.7	1.7791	4.5	1.7229	4.3	115.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.1
Ecu	-	1.2196	+0.0007	191 - 204	1.2254	1.2176	1.2187	1.1	1.2166	1.1	1.2085	0.9	-
SDR†	-	1.03764	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5145	+0.0017	139 - 150	1.5175	1.5100	-	-	-	-	-	-	-
Brazil	(R$)	1.4788	+0.0012	780 - 796	1.4857	1.4752	-	-	-	-	-	-	-
Canada	(C$)	2.0851	+0.0143	840 - 861	2.0872	2.0724	2.0838	0.7	2.0808	0.8	2.0733	0.6	83.6
Mexico	(New Peso)	11.1937	-0.0782	824 - 049	11.2336	11.1584	-	-	-	-	-	-	-
USA	($)	1.5147	+0.0017	142 - 152	1.5178	1.5102	1.5137	0.8	1.5118	0.8	1.5022	0.8	96.3
Pacific/Middle East/Africa													
Australia	(A$)	2.0546	+0.0015	532 - 559	2.0648	2.0468	2.0561	-0.9	2.0599	-1.0	2.0784	-1.1	88.8
Hong Kong	(HK$)	11.7112	+0.0115	066 - 158	11.7341	11.6793	11.7041	0.7	11.696	0.5	11.6685	0.4	-
India	(Rs)	54.5444	+0.3412	506 - 381	54.6380	54.1720	-	-	-	-	-	-	-
Israel	(Shk)	4.7468	+0.0141	414 - 517	4.7535	4.7318	-	-	-	-	-	-	-
Japan	(Y)	161.293	-0.243	187 - 399	162.630	161.040	160.458	6.2	158.953	5.8	152.813	5.4	136.8
Malaysia	(M$)	3.8739	-0.0017	718 - 789	3.8858	3.8697	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2687	-0.0063	668 - 706	2.2811	2.2655	2.2716	-1.6	2.2796	-1.8	2.3029	-1.5	105.6
Philippines	(Peso)	39.7193	+0.09	383 - 043	39.8130	39.6156	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6809	+0.0064	787 - 831	5.6915	5.6643	-	-	-	-	-	-	-
Singapore	(S$)	2.1459	-0.0046	444 - 473	2.1512	2.1418	-	-	-	-	-	-	-
South Africa	(R)	5.5238	+0.0017	212 - 264	5.5371	5.5130	-	-	-	-	-	-	-
South Korea	(Won)	1190.78	-0.33	031 - 125	1193.51	1188.34	-	-	-	-	-	-	-
Taiwan	(T$)	41.5800	+0.0408	572 - 028	41.6812	41.4807	-	-	-	-	-	-	-
Thailand	(Bt)	38.3371	+0.0203	093 - 649	38.4230	38.2740	-	-	-	-	-	-	-

† Rates for Jan 24 Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 25		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.3818	-0.0300	795 - 835	10.4410	10.3650	10.3684	1.6	10.3344	1.8	10.2119	1.6	106.0
Belgium	(BFr)	30.3520	-0.088	470 - 570	30.5240	30.3160	30.3	2.1	30.1995	2.0	29.837	1.7	107.9
Denmark	(DKr)	5.7096	-0.0159	086 - 106	5.7395	5.7026	5.7046	1.1	5.6951	1.0	5.7171	-0.1	109.3
Finland	(FM)	4.5374	+0.0053	340 - 408	4.5620	4.5220	4.5324	1.3	4.5217	1.2	4.4949	0.9	84.6
France	(FFr)	5.0760	+0.0002	750 - 770	5.1000	5.0570	5.0719	1.0	5.0663	0.8	5.0475	0.6	109.2
Germany	(DM)	1.4763	-0.004	760 - 765	1.4880	1.4743	1.4730	2.0	1.4691	1.9	1.4498	1.8	109.7
Greece	(Dr)	244.170	-0.16	110 - 230	245.370	242.800	245.845	-8.2	249.095	-8.1	263.92	-8.1	66.4
Ireland	(I£)	1.5710	+0.0028	700 - 720	1.5740	1.5635	1.5715	-0.3	1.5719	-0.2	1.568	0.2	-
Italy	(L)	1591.75	-0.25	125 - 225	1601.50	1586.95	1598.6	-5.2	1610.65	-4.7	1668.75	-4.8	72.5
Luxembourg	(LFr)	30.3520	-0.088	470 - 570	30.5240	30.3160	30.3	2.1	30.212	1.8	29.907	1.5	107.9
Netherlands	(Fl)	1.6535	-0.0045	532 - 538	1.6628	1.6474	1.6502	2.4	1.6439	2.3	1.6211	2.0	107.8
Norway	(NKr)	6.4690	-0.0165	680 - 700	6.5045	6.4475	6.4669	0.4	6.4585	0.6	6.4415	0.4	97.6
Portugal	(Es)	153.400	+0.025	350 - 450	154.240	152.880	153.775	-2.9	154.545	-3.0	158.15	-3.1	95.5
Spain	(Pta)	124.960	+0.22	910 - 990	125.400	124.350	125.345	-3.8	126.06	-3.6	129.57	-3.7	81.7
Sweden	(SKr)	6.8771	+0.0256	721 - 821	6.9224	6.8210	6.8942	-3.0	6.9225	-2.7	7.0611	-2.7	86.9
Switzerland	(SFr)	1.1879	-0.0032	874 - 884	1.1940	1.1845	1.1841	3.8	1.1766	3.7	1.1474	3.4	114.8
UK	(£)	1.5147	+0.0017	142 - 152	1.5176	1.5102	1.5137	0.8	1.5118	0.8	1.5022	0.8	82.6
Ecu	-	1.2418	+0.0007	416 - 421	1.2468	1.2382	1.2422	-0.3	1.2426	-0.2	1.2432	-0.1	-
SDR†	-	0.68695	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9994	-	-	-	-	-	-	-
Brazil	(R$)	0.9763	-0.0003	761 - 765	0.9790	0.9760	-	-	-	-	-	-	-
Canada	(C$)	1.3766	+0.0079	763 - 768	1.3777	1.3711	1.3768	-0.1	1.3769	-0.1	1.3819	-0.4	83.2
Mexico	(New Peso)	7.3900	-0.06	850 - 950	7.3950	7.3800	7.3922	-0.4	7.3954	-0.3	7.4000	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.3
Pacific/Middle East/Africa													
Australia	(A$)	1.3565	-0.0008	559 - 569	1.3589	1.3557	1.3583	-1.8	1.3618	-1.6	1.3805	-1.8	87.7
Hong Kong	(HK$)	7.7317	-0.0011	312 - 322	7.7330	7.7310	7.7324	-0.1	7.7342	-0.1	7.7612	-0.4	-
India	(Rs)	36.0100	+0.165	600 - 600	36.1000	35.8500	36.16	-5.0	36.465	-5.1	37.935	-5.3	-
Israel	(Shk)	3.1337	+0.0058	313 - 360	3.1370	3.1257	-	-	-	-	-	-	-
Japan	(Y)	106.485	-0.28	450 - 520	107.500	106.330	106	5.5	105.155	5.0	101.88	4.4	137.0
Malaysia	(M$)	2.5575	-0.004	570 - 580	2.5647	2.5570	2.5584	-0.4	2.5645	-1.1	2.588	-1.2	-
New Zealand	(NZ$)	1.4977	-0.0058	970 - 985	1.5081	1.4970	1.5008	-2.5	1.5066	-2.4	1.5312	-2.2	-
Philippines	(Peso)	26.2200	+0.05	700 - 700	26.2700	26.1700	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7508	3.7505	3.751	-0.1	3.7517	-0.1	3.756	-0.1	-
Singapore	(S$)	1.4167	-0.0046	162 - 172	1.4215	1.4150	1.4152	3.0	1.4072	2.7	1.3817	2.5	-
South Africa	(R)	3.6468	-0.003	465 - 473	3.6510	3.6462	3.6755	-8.5	3.727	-8.8	3.9503	-8.3	-
South Korea	(Won)	786.150	-1.1	100 - 200	786.600	786.000	789.15	-4.6	792.65	-3.3	811.15	-3.2	-
Taiwan	(T$)	27.4510	+0.002	450 - 570	27.4880	27.4400	27.471	-0.9	27.511	-0.9	-	-	-
Thailand	(Bt)	25.3100	-0.015	000 - 200	25.3500	25.3000	25.4087	-4.7	25.6125	-4.6	26.495	-4.7	-

† SDR rate per $ for Jan 24. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 24: Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 25		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.81	16.73	4.864	2.097	5245	5.449	21.32	505.5	411.8	22.67	3.913	2.175	4.535	3.295	350.9	2.664
Denmark	(DKr)	53.16	10	8.891	2.586	1.115	2788	2.897	11.33	268.7	218.9	12.05	2.080	1.156	2.411	1.752	186.5	1.411
France	(FFr)	59.79	11.25	10	2.908	1.254	3136	3.258	12.74	302.2	246.2	13.55	2.340	1.301	2.712	1.970	209.8	1.587
Germany	(DM)	20.56	3.868	3.439	1	0.431	1078	1.120	4.382	103.9	84.65	4.660	0.805	0.447	0.932	0.678	72.14	0.546
Ireland	(I£)	47.69	8.971	7.976	2.320	1	2501	2.599	10.16	241.1	196.4	10.81	1.866	1.037	2.163	1.572	167.3	1.266
Italy	(L)	1.907	0.359	0.319	0.093	0.040	100.	0.104	0.406	9.639	7.852	0.432	0.075	0.041	0.086	0.063	6.690	0.051
Netherlands	(Fl)	18.35	3.452	3.069	0.893	0.385	962.5	1	3.912	92.77	75.57	4.160	0.718	0.399	0.832	0.605	64.39	0.487
Norway	(NKr)	46.91	8.825	7.847	2.282	0.984	2460	2.556	10	237.2	193.2	10.63	1.836	1.021	2.128	1.546	164.6	1.245
Portugal	(Es)	19.78	3.721	3.309	0.962	0.415	1037	1.078	4.216	100.	81.45	4.484	0.774	0.430	0.897	0.652	69.41	0.525
Spain	(Pta)	24.28	4.568	4.062	1.181	0.509	1274	1.323	5.176	122.8	100.	5.504	0.950	0.528	1.101	0.800	85.21	0.644
Sweden	(SKr)	44.12	8.299	7.379	2.146	0.925	2314	2.404	9.404	223.0	181.7	10	1.726	0.960	2.001	1.454	154.8	1.171
Switzerland	(SFr)	25.55	4.807	4.274	1.243	0.536	1340	1.392	5.447	129.2	105.2	5.792	1	0.556	1.159	0.842	89.66	0.678
UK	(£)	45.97	8.648	7.689	2.236	0.964	2411	2.505	9.799	232.4	189.3	10.42	1.799	1	2.085	1.515	161.3	1.220
Canada	(C$)	22.05	4.148	3.688	1.072	0.462	1156	1.201	4.700	111.5	90.79	4.998	0.863	0.480	1	0.727	77.36	0.586
US	($)	30.34	5.709	5.075	1.476	0.636	1591	1.653	6.468	153.4	125.0	6.878	1.187	0.660	1.376	1	106.5	0.805
Japan	(Y)	28.50	5.361	4.767	1.386	0.598	1495	1.553	6.075	144.1	117.4	6.460	1.115	0.620	1.293	0.939	100.	0.756
Ecu		37.68	7.089	6.302	1.833	0.790	1976	2.053	8.032	190.5	155.2	8.541	1.475	0.820	1.709	1.242	132.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6781	0.6740	-0.0014	0.6803	0.6745	23,513	84,324
Jun	0.6784	0.6780	-0.0008	0.6832	0.6784	435	3,380
Sep	-	0.6856	-	0.6855	-	1	1,359

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9419	0.9441	+0.0028	0.9478	0.9370	23,602	76,078
Jun	0.9524	0.9570	+0.0046	0.9575	0.9523	648	3,634
Sep	0.9660	0.9660	+0.0033	0.9665	0.9660	21	687

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8431	0.8402	-0.0026	0.8486	0.8413	10,724	42,448
Jun	0.8542	0.8485	-0.0019	0.8555	0.8500	191	1,298
Sep	-	0.8580	-	0.8620	-	7	103

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5100	1.5058	-0.0032	1.5158	1.5058	9,890	47,738
Jun	1.5130	1.5064	-0.0008	1.5130	1.5050	5	234
Sep	-	1.5030	-	1.5100	-	4	5

UK INTEREST RATES

LONDON MONEY RATES

Jan 25	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible] - 6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - 6
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible] - 6
Treasury Bills	-	-	[illegible]	[illegible] - 6	-	-
Bank Bills	-	-	[illegible]	[illegible]	6 - [illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - 6
Discount Market deps	[illegible] - 6	[illegible]	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from January 18, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount 5.9868pc. ECGD fixed rate Stg. Export Finance. Make up day Dec 29, 1995. Agreed rate for period Jan 24, 1996 to Feb 25, 1996, Schemes II & III 7.82pc. Reference rate for period Dec 1, 1995 to Dec 29, 1995, Schemes IV & V 6.552pc. Finance House Base Rate 7pc from January 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.92	93.89	-0.02	93.92	93.87	7576	91747
Jun	94.17	94.12	-0.03	94.17	94.10	12193	79881
Sep	94.18	94.12	-0.05	94.19	94.11	10332	64125
Dec	94.03	93.96	-0.05	94.03	93.95	4491	44476
Mar	93.79	93.73	-0.04	93.79	93.73	3830	30825

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9375	0.18	0.44	0.55	0.04	0.07	0.16
9400	0.04	0.26	0.39	0.15	0.14	0.27
9425	0.01	0.13	0.26	0.37	0.26	0.39

Est. vol. total, Calls 2526 Puts 9897. Previous day's open int., Calls 128324 Puts 123337

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	Royal Bk of Scotland	6.25
Allied Trust Bank	6.25	Exeter Bank Limited	7.50	●Singer & Friedlander	6.25
AIB Bank	6.25	Financial & Gen Bank	7.00	●Smith & Williamson Secs.	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	TSB	6.25
Bank of Baroda	6.25	Girobank	6.25	United Bank of Kuwait	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	Unity Trust Bank Plc	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Western Trust	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Whiteaway Laidlaw	6.25
Bank of India	6.25	Heritable & Gen Inv Bk	6.25	Yorkshire Bank	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25		
Barclays Bank	6.25	C. Hoare & Co	6.25	● Members of London Investment Banking Association	
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25	* In administration	
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Credit Lyonnais	6.25	* Mount Credit Corp	6.25		
Cyprus Popular Bank	6.50	NatWestminster	6.25		
		●Rea Brothers	6.25		

EMS EUROPEAN CURRENCY UNIT RATES

Jan 25	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	159.229	+0.077	-2.01	4.67	14
Netherlands	2.15214	2.11304	-0.00348	-1.82	4.47	13
Belgium	39.3960	38.7945	-0.0592	-1.53	4.16	11
Austria	13.4383	13.2697	-0.0226	-1.26	3.88	9
Germany	1.91007	1.88665	-0.00314	-1.22	3.83	12
Portugal	195.792	195.957	+0.208	0.08	2.48	-1
Denmark	7.28580	7.30205	-0.00725	0.22	2.34	-2
France	6.40608	6.48354	+0.01195	1.21	1.34	-10
Ireland	0.792214	0.812568	-0.001043	2.57	0.00	-17
NON ERM MEMBERS						
Greece	292.867	312.120	+0.454	6.57	-3.76	-
Italy	2106.15	2038.13	+15.31	-3.23	5.89	-
UK	0.786652	0.842568	-0.000671	7.11	-4.24	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.500	1.67	2.29	2.80	0.88	1.61	2.12
1.510	1.12	1.77	2.34	1.25	2.09	2.57
1.520	0.67	1.34	1.90	1.84	2.61	3.13
1.530	0.37	0.99	1.52	2.51	3.07	3.74
1.540	0.27	0.71	1.20	3.29	3.78	4.41
1.550	0.14	0.49	0.93	4.16	4.55	5.13

Previous day's vol., Calls 4,366 Puts 15,353 . Prev. day's open int., Calls 157,882 Puts 193,825

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.69	94.66	-0.03	94.71	94.65	99,671	428,112
Jun	95.04	95.00	-0.03	95.07	94.98	153,816	453,742
Sep	95.18	95.16	-0.02	95.22	95.13	77,784	292,011

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.20	95.17	-0.01	95.20	95.14	2,135	10,239
Jun	95.50	95.41	-0.07	95.51	95.41	558	6,368
Sep	95.61	95.58	-0.02	95.61	95.57	115	674

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Apr	PUTS Jun
9650	0.22	0.23	0.37	0.38	0.01	0.02	0.03	0.04
9675	0.03	0.06	0.18	0.19	0.07	0.10	0.07	0.10
9700	0.01	0.01	0.06	0.07	0.30	0.30	0.21	0.23

Est. vol. total, Calls 17531 Puts 9093. Previous day's open int., Calls 254885 Puts 240924

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9800	0.27	0.35	0.43	0.03	0.09	0.21
9825	0.12	0.19	0.23	0.13	0.18	0.26
9850	0.03	0.08	0.15	0.29	0.32	0.43

Est. vol. total, Calls 200 Puts 200. Previous day's open int., Calls 8795 Puts 3798

WORLD INTEREST RATES

MONEY RATES

January 25	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.20	-	5.60
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.20	-	[illegible]
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	3.00	3.55
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	3.00	3.65
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	10	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.96
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	10.48
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.26	5.22	5.14	5.01	-	-	-
week ago	-	5.26	5.28	5.18	5.03	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 25	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	10 - [illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.35	95.32	-0.06	95.38	95.28	57,572	56,579
Jun	95.59	95.60	-0.04	95.65	95.55	14,738	53,878
Sep	95.64	95.67	-0.02	95.72	95.62	6,145	39,047

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.72	96.71	-0.01	96.74	96.68	22190	173487
Jun	96.86	96.84	-0.01	96.87	96.79	24025	176844
Sep	96.85	96.82	-0.02	96.86	96.77	20175	158183
Dec	96.69	96.68	-0.02	96.72	96.62	15070	151598

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.60	90.47	-0.13	90.60	90.45	16305	49127
Jun	91.09	90.98	-0.12	91.09	90.96	4482	28803
Sep	91.32	91.22	-0.13	91.34	91.21	1493	16415
Dec	91.41	91.33	-0.13	91.41	91.30	711	9267

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.33	98.24	-0.08	98.33	98.23	5025	23016
Jun	98.33	98.28	-0.05	98.35	98.24	4236	18261
Sep	98.31	98.22	-0.08	98.32	98.21	1999	9833
Dec	98.11	98.01	-0.07	98.11	98.01	566	4435

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.40	95.35	-0.05	95.40	95.34	2086	8630
Jun	95.60	95.54	-0.06	95.60	95.54	1094	4669
Sep	95.64	95.59	-0.06	95.65	95.61	527	2748
Dec	95.62	95.50	-0.04	95.62	95.61	160	3487

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9025	0.40	0.90	1.28	0.18	0.17	0.31
9050	0.26	0.71	1.06	0.05	0.23	0.36
9075	0.16	0.54	0.89	0.44	0.31	0.42

Est. vol. total, Calls 300 Puts 675. Previous day's open int., Calls 10791 Puts 16746

CONTRACTS & TENDERS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or −	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq		527xd	+1	555	476½	5,449	5.6	19.1
Balmer (HP)		511xd	—	511	392	289.8	3.0	16.0
Burn St Dist		124	—	140	99	73.5	5.0	20.7
Grand Met		450½xd	−8½	467	367	9,429	4.1	13.9
Guinness		468½	−13½	538	404	9,407	3.8	14.5
Highland		317	−1	410	315	422.2	3.1	14.4
Kirin Y		705¼	+15	773¼	621	8,658	0.8	29.4
Macallan-Glen.		187	+9	217	157	195.1	1.0	37.0
Macdon Martin A		635	—	700	600	37.8	2.1	17.9
Matthew Clark		658	−1	684	539	585.4	4.2	−
Merrydown		107	—	140	68	11.7	2.3	−
Seagram $		£23⅝	−¼	£26¼	21¼	8,437	1.2	−

BANKS, MERCHANT

	Notes	Price	+ or −	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 9pc Cm 2nd Pf		50½	—	98	50¼	6.31	19.8	−
Cater Allen		474	—	525	418	164.5	7.9	7.8
Close Bros		338	+1	*340½	217¼	412.7	3.2	16.0
Gerrard & Nat		470	—	475	385	228.4	6.0	15.2
Hambros		200	−1	242	180	383.6	4.7	−
7½pc Cv Pf		102	—	112	84	131.4	9.2	−
Joseph (L)		483	—	483	353	24.9	3.2	15.8
King & Shaxson		145	—	182	95	38.3	7.8	11.3
Rea Brothers		68	—	87	44	31.4	1.9	26.0
Schroders		1295	−15	*1470	805½	1,858	1.4	18.4
N/V		1035	−12	*1180	823½	452.3	1.7	14.6
Singer & Fried		105	—	111	81	203.2	4.5	10.7
8½pc Cv Ln 08/14		£121½	—	£137	£1[illegible]	40.3	6.5	−
Union		98	+1	121	70	28.1	3.8	−
Wintrust		270	—	285	200	22.2	5.5	15.2

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الاصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

Notes	Price	+ or -	52 week high	low	Yld Gr's	NAV	Dis or Pm(-)
Henderson Eurotrust ♣	101½	–	104	80	4.1	139.9	27.4
Units	144	–	146	115	2.8	170.8	15.7
Zero Prf	43¾	–	44¼	35½	–	–	–
Hong Kong	51	+1½	51	34	4.5	66.5	23.3
Zero Div Pf	41¼	+¼	41¼	32	–	–	–
I&S Optimum	99xd	–	103	78	10.8	109.1	12.0
Zero Div Pf	241	–	241½	219½	–	–	–
INVESCO Blue Chip	61	–	72	51	17.2	71.9	15.2
Zero Pf	184	+½	185½	161	–	–	–
INVESCO Recovery	87xd	–	110	84	11.5	104.7	16.9
Pfd Growth	170	+½	171	147½	–	–	–
Johnson Fry Euro	79	–	80	78	7.0	102.3	22.8
Zero Prf	130	+½	132½	105	–	–	–
Johnson Fry Second	85	–	99	82	9.9	90.2	5.8
Zero Div Pf	120½	–	122½	98¼	–	–	–
Johnson Fry Utils	94	–	107	89	10.3	100.8	6.7
Zero Prf	130½	–	132	108½	–	–	–
Jos Hldgs Capital	122	+1	122	98	–	253.5	51.9
Income	97	–	100	91	17.4	–	–
Zero Div Pf	151½	–	151½	132	–	–	–
Jove Inc	58	–	65	55	12.8	–	–
Cap	35	–	42	36	–	57.5	37.4
Jupiter Euro	74	–	83	69	3.5	113.2	34.6
Warrants	47	–	48	45	–	–	–
Zero Div Pf	80½	–	82	51¼	–	–	–
Jupiter Intl Green	42	-1	52	35	10.1	58.1	27.7
Warrants	30	-1	31	24	–	–	–
Units	120	–	139	99	3.5	122.9	2.4
Zero Pf	78½	–	80	63½	–	–	–
Kleinwort High Inc	83	-1	91	74	10.8	95.7	13.6
Zero Div Prf	181½	+½	181½	159	–	–	–
Lloyds Smlr Uts	127	–	130	102	3.8	142.2	10.7
Capital	101	+1	102	77	–	141.6	28.7
Dividend	27	–	29½	26	17.1	–	–
M & G Dual Inc	178xd	–	270	178	–	–	–
Cap	2853	-5	3073	2533	–	3231.0	8.6
[illegible]							

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the Official List.

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	£34½	–	£34½	£20	2,303	2.5	16.6
Barlow	£10½	+½	£10½	147½	2,160	1.4	♦
Gold Flds Prop R	180	+4	180	136	16.4	6.8	7.0
NK Props	98	–	98	85	3.88	12.7	–
SASOL	610	–	648	435	3,872	2.3	–
SA Brews	£20½	-½	£20½	£12½	7,594	1.4	33.9
Standard Bank	£32½	-½	£32½	£20½	3,854	1.5	21.7
Tiger Oats	1220	–	1220	700	1,889	1.6	♦
Tongaat-Hulett	1237	-4	1267	636	1,161	1.6	23.0

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column only as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below.
- ⁂ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- [illegible]
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♦ Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v P/e ratios are calculated under new ACT guidelines. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1996. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion.

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT2264. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

Both Annual Reports and FT Company Focus are available from the above number.

FT Company Focus

Comprehensive 10-14 page report available on this company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £6.45.

To order, call 0121 200 4678.

Reports published by ShareFinder Ltd.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 0171 873 4378 for more information on FT Cityline.

For readers phoning from outside UK, please dial +44 in place of the first 0.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

The Fiduciary Trust Global Fund

GAM Fund Management Ltd (u)

Guinness Flight Select Funds Plc

Hambros Fund Managers (Ireland) Ltd

Baring Global (Ireland) Ltd

Berkshire KTC Growth Fund Plc

Berkshire Korea Fund Plc

Bordier Invest (Ireland) Ltd

CFP Interest Rate Arbitrage Fund Plc

Calypso Fund

Capital Vision Fund Plc

Chemical Ireland Fund Administration Ltd

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mgrs

Allied Dunbar Intl Fund Mgrs

Ashburton Global Funds

Bank of Ireland Asset Management

Fleming Group

BERMUDA (REGULATED)(**)

GUERNSEY (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

JERSEY (REGULATED)(**)

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
Clan European Asset Value Fund				
NAV Jan 15	$70.33		-0.14	-
Clemente Korea Emerging Growth Fund				
NAV Jan 19	$9.71		-0.21	-
Cox & Kings Overseas Fund				
Cradle Investment Funds				

	Selling Price	Buying Price	+ or -	Yield Gross
Merrill Lynch Asset Management - Contd.				
Monterey Trust SICAV				
NAV	$15.37			-
Morgan Stanley Sicav				
Murray Universal, Sicav				
NICAM Asia Pacific Umbrella Fund				
Nikko Asia Convertible Bond Fund				
Nikko Asia Conv Bond NAV	$10.57			-

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

هكذا من الأصل

LONDON STOCK EXCHANGE

MARKET REPORT

Bought deal and declining bonds upset equities

By Steve Thompson, UK Stock Market Editor

The absence of the much rumoured bid for one of the FT-SE 100 stocks, and a sharp correction in global bonds, took the wind out of the sails of London's equity market.

Unable to build on modest early gains, mostly prompted by the overnight 50-point jump in the Dow Jones Industrial Average, the FT-SE 100 index gradually fell away throughout a relatively busy session, eventually closing a fraction above the day's low. It settled a net 24.0 off at 3,734.2.

Second line stocks once again proved much more resilient than the market's leading issues, with the FT-SE Mid 250 index only slipping into negative ground just before the close and finishing a mere 0.2 easier at 4,086.7.

There was no shortage of domestic reasons behind the equity market's weakness. Two large placings early in the day mopped up much available liquidity.

A profits warning from Holliday Chemicals unnerved investors in other chemicals stocks, triggering big falls across the sector, which was among the worst performers in the FT-SE Actuaries Share Indices.

But it was a sliding bond market that was causing the most damage to European equities. US bonds performed well overnight, but began to lose ground in European trading, reflecting a revival of fears that the US could default on its debts if the long-running budget deficit wrangle is not sorted out.

Another story doing the rounds was that Mr Eddie George, Governor of the Bank of England, would criticise the chancellor's interest rate policy in a speech due to be delivered last night.

The trading session began brightly enough, with the FT-SE 100 opening 3.4 ahead at 3,761.6 and looking set to launch another challenge to its all-time intra-day high of 3,767.4, reached only a week ago.

But with none of the rumoured takeover bids materialising, marketmakers quickly took the initiative and began to lower quotations for the so-called bid stocks to shake out any loose stock.

The move was highly successful, with Standard Chartered, the market's hot favourite to attract a predator after Wednesday afternoon's frenzied activity, falling heavily and eventually giving up well over half the previous session's gain.

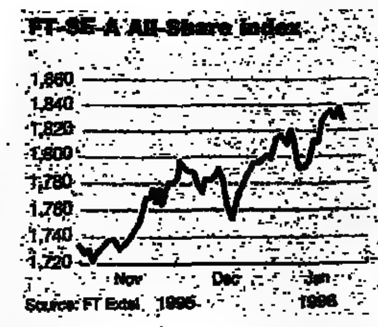
Standard said it knew of no reason for the steep rise in its shares. Other prospective takeover stocks also fell back, including Ladbroke, the leisure group.

Granada was the FT-SE 100's top gun for much of the session, boosted by hopes of an early sale of many of the hotels it acquired in its successful bid for Forte, but later retreated on some determined profit-taking.

Among the big winners in the Footsie, there was keen institutional buying of Bank of Scotland. Hints of imminent good drilling news from its Algerian operations helped Lasmo move higher.

Turnover at 6pm totalled 976.1m shares, one of the heaviest daily figures for many weeks and boosted substantially by the bought deals in BAA and 3i Group. Turnover in those two stocks, 124m shares, accounted for almost 13 per cent of the market total.

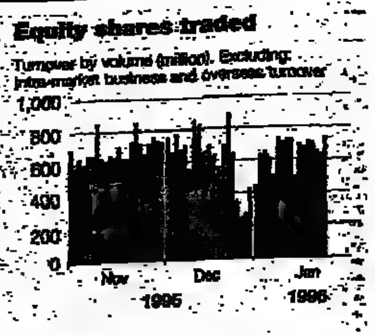
FT-SE-A All-Share index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3734.2	-24.0
FT-SE Mid 250	4086.7	-0.2
FT-SE-A 350	1854.5	-0.4
FT-SE-A All-Share	1828.67	-8.50
FT-SE-A All-Share yield	3.73	(3.71)
FT Ordinary Index	2765.6	-22.6
FT-SE-A Non Fins p/e	16.83	(16.91)
FT-SE 100 Fut Mar	3746.0	-29.0
10 yr Gilt yield	7.37	(7.30)
Long gilt/equity yld ratio:	2.08	(2.09)

Best performing sectors

1 Oil Exploration .... +0.7
2 Transport .... +0.7
3 Health Care .... +0.5
4 Retailers, General .... +0.4
5 Building & Cons .... +0.4

Worst performing sectors

1 Tobacco .... -1.7
2 Chemicals .... -1.7
3 Alochoholic Beverages .... -1.6
4 Retailers, Food .... -1.5
5 Telecommunications .... -1.2

Bid talk shifts to P&O

Property and shipping giant P&O roared to the top of the Footsie rankings as takeover talk gripped the market and one top broker dubbed the shares "the next Forte".

According to UBS, the group is over-diversified, undermanaged and – having pushed through £3.5bn of capital expenditure over the past five years – awash with trophy assets. UBS puts the break-up value of the shares at £7.

Having lagged behind by a steep 33 per cent in 1995, the shares have outrun the market as a whole by 7 per cent over the past month. They shot forward 12½ to 529p yesterday in heavy 5m turnover to round off a four-day gain of 40.

There were few hard and fast bets about potential predators, but some analysts suggested that one of the bigger property groups could have its eye on P&O's real estate portfolio. This tops £1.7bn, including development properties, and has a near one-third North American content.

Holliday beached

A profits warning from Holliday Chemicals hit the whole chemicals sector and banged what one analyst described as a "serious nail in Holliday's prospects".

Holliday warned that 1995 results would be below market expectations following a downturn in sales and profitability in the second half. Since last September Allied Colloids, Albright & Wilson, Hickson International, Laporte and British Vita have all warned of tough market conditions. Yesterday, Holliday slid 45 to 119p, the biggest drop among the market's top 350 companies.

It was followed by Yorkshire Chemicals, which also operates a big dyes business, and which tumbled 22 to 258p.

Elsewhere in the sector, British Vita was off 15 to 200p, Laporte 13 to 644p and Courtaulds 15 to 432p. Chemicals leader ICI fell 18 to 808p.

Chemicals analysts, who had to bear the tidings of appalling news in the sector last year, were hoping for a brighter picture and were taken aback.

Mr Charles Lambert of Merrill Lynch said: "Management obviously need to pull their fingers out. On a broader basis, the general message is that although there is a potential recovery with cheaper raw materials, there is a risk of weaker demand."

Mr Lucas Herman of James Capel said: "This is a stark reminder of how difficult things were in the second half."

Smith 'targeted'

Bid speculation settled on W.H. Smith, helping the high street news agent shrug off the gloom that followed Wednesday's second profits warning in less than a year.

The shares bucked the reflective market trend, advancing 12 to 419p. One senior dealer suggested that the company would face an approach "within the month" from a predator offering around 550p a share.

Although the shares have recovered from their drubbing last May, they have failed to benefit from the traditional seasonal bonanza. At the close of trading on Wednesday, they were yielding 4.9 per cent compared to a sector average of just over 3 per cent.

Nevertheless, some specialists attributed yesterday's rise purely to recovery prospects for the group under the current management.

Reassuring sales and margin figures from Burton Group prompted strong two-way business in the stock. Turnover had risen to 18m by the close as the shares edged half-penny forward to 130p.

Bluebird Toys was boosted by the news of US group Mattel's $5.2bn bid for rival Hasbro, which holds a 7 per cent stake in Bluebird. There was talk that Bluebird itself may be a takeover target, though the company's finance director dismissed the rumours as "pure speculation". However, the shares remained strong and closed 15 ahead at 354p.

A story doing the rounds suggested Boots, the chemist, may sell its Childrens World subsidiary to Storehouse. The word is that Storehouse is interested and may be looking to merge Children's World with its Mothercare chain.

An analyst who declined to be named said: "It is possible that such a deal is on the cards. Storehouse may feel it can manage these stores better than Boots." Storehouse declined 4 to 293p, while Boots shares firmed a penny to 598p.

A downbeat trading statement from Tate & Lyle prompted profits downgrades. Many analysts reduced current year forecasts by around £15m to the £310m to £308m level.

Media and leisure giant Granada Group, which this week won its bid for Forte, paused for breath yesterday, which left the stock trailing 3 at 704p following trade of 7m shares.

A further decline was prevented by news that Granada will be happy to consider proposals from Sir Rocco Forte to buy back some of the most prestigious hotels it has just acquired.

Forte also remained an active trade and saw volume of 20m shares as the stock relinquished 2 at 396p, while Savoy "A" rose 32 to 1180p.

Standard Chartered, the London based Far Eastern bank, fell back as the fevered takeover talk that moved the shares higher late on Wednesday receded. Standard Chartered said it was "not aware of any circumstances leading to the recent movement in its share price" and the shares receded 26½ to 636p on heavy turnover of 7.7m.

Seasoned dealers said the logic for an offer for Standard still prevailed and it was a case of "if not now, when?"

Abbey National fell 13½ to 637p on fears that a pricing war could develop in the mortgage market.

Competition and regulatory worries continued to gnaw away at sentiment in the telecoms sector.

BT slipped 6 to 364p in 9.9m shares traded following a note from NatWest Securities which drew attention to the hectic regulatory timetable faced by the group in the first part of this year.

A profits downgrade by Kleinwort Benson combined with a move from buy to hold by Credit Lyonnais Laing to push Lucas Industries 6 lower to 196p.

Aegis, the media group, closed 1½ firmer at 43½p after winning the media buying account of Philips, the Dutch electronics group. The account is worth £200m.

Anagen, the healthcare group, moved forward 5 to 75p as it announced it had reached a settlement with its former marketing partner Organon Teknika. British Biotech rose 70 to 2238p on talk that one broker was recommending the shares up to £30.

BAA closed all square at 496p following the auction of the government's 2.86 per cent stake in the airports group. Merrill Lynch purchased the shares at 491¼p in open auction and placed them with institutions at 494p.

3i, the venture capital group, slipped 3 to 413p, with Midland Bank selling its remaining 5.25 per cent stake – 30.7m shares – to institutional investors via James Capel. The shares were placed at 404p and raised £124m.

USM-quoted ML Laboratories forged ahead 46 to 457p as Panmure Gordon said it placed just over 20m shares with institutions at 400p apiece. The placing offset the pharmaceuticals company's announcement of a £3.4m full-year loss, against a deficit of £2.27m last time.

MARKET REPORTERS:
Peter John, Joel Kibazo, Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Jan 25	Jan 24	Jan 23	Jan 22	Jan 19	Yr ago	*High	*Low
Ordinary Share	2765.6	2788.2	2769.4	2779.6	2762.1	2271.9	2788.2	2238.3
Ord. div. yield	3.92	3.90	3.92	3.91	3.93	4.60	4.73	3.90
P/E ratio net	16.58	16.69	16.58	16.63	16.56	17.14	21.39	15.35
P/E ratio nil	16.37	16.48	16.37	16.42	16.35	16.60	22.21	15.17

*For 1995/96. Ordinary Share index since compilation: high 2788.2 18/01/96; low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2792.4	2788.5	2787.1	2788.4	2785.9	2780.6	2779.8	2773.1	2768.2	2793.0	2765.6

	Jan 25	Jan 24	Jan 23	Jan 22	Jan 19	Yr ago
SEAQ bargains	35,173	35,703	37,887	44,115	40,878	22,637
Equity turnover (£m)†	-	2005.6	1728.1	1720.1	2191.5	2047.1
Equity bargains†	-	42,114	48,947	46,860	48,146	31,583
Shares traded (ml)†	-	751.0	687.9	646.0	716.9	734.9

†Excluding intra-market business and overseas turnover

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	656	Total Highs	222	Total contracts	38,069
Total Falls	813	Total Lows	22	Calls	18,806
Same	1,641			Puts	19,263

Jan 25 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3771.0	3746.0	-29.0	3779.0	3736.0	10156	66407
Jun	3772.0	3748.5	-29.0	3772.0	3766.0	42	1181

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	4100.0	-	-	-	0	3307

FT-SE 100 INDEX OPTION (LIFFE) (*3734) £10 per full index point

[illegible]

Calls 4,367 Puts 3,787

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3575		3625		3675		3725		3775	
Feb	168½	4½	123½	8½	82	17	46	33	23½	[illegible]
Mar	182½	13	140½	20½	106	33½	73½	52½	48½	[illegible]
Apr	195½	35	158½	47	126	62½	94½	82	70½	[illegible]
Jun			192	71½			127½	105		
Sept†			238½	101½			178½	135½		

Calls 3,118 Puts 7,843 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995/96 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	6.26	6⅛	5⅝	†Ballynatray	6	-⅛	-	-	-	-
-	F.P.	23.6	128	115	Century Inns	116		-	-	-	-
-	F.P.	65.5	114	108	Cox Insurance	113		-	-	-	-
-	F.P.	13.9	90	72	†Dmatek	74	-1	-	-	-	-
-	F.P.	25.6	88	73	Jupiter Split Cap	85½		-	-	-	-
-	F.P.	53.8	101	98	Jupiter Split Inc	98½		17.24	-	9.2	-
-	F.P.	59.0	250	228	Jupiter Split Units	239		7.24	-	0.2	-
-	F.P.	9.06	¼	¼	†Mountcashel	¼		-	-	-	-
-	F.P.	0.13	6	6	†Nthn Prtm Wts	6		-	-	-	-
-	F.P.	1.13	105	100	†Revelation P'dilly	105		-	-	-	-
-	F.P.	0.79	7½	6	†SkyePharma Wts	6½		-	-	-	-
-	F.P.	4.95	175	125	†Viewinn	165	-10	-	-	-	-

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Jan 24	% chg on day	Jan 23	Year ago	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (33)	2245.22	-1.5	2280.67	1762.85	1.61	-	2286.94	1697.91
Regional Indices								
Africa (18)	3052.16	-1.0	3084.46	2732.42	2.87	33.73	3084.46	2272.74
Australasia (8)	2641.78	-2.7	2714.66	2173.37	2.15	41.23	2732.31	1768.20
North America (12)	1966.60	-1.5	1996.96	1447.19	0.69	58.51	2010.71	1346.16

Copyright, The Financial Times Limited 1996. "FT Gold Mines Index" is a trademark of The Financial Times Limited. Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Jan 25	Day's chge%	Jan 24	Jan 23	Jan 22	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3734.2	-0.6	3758.2	3735.0	3764.2	3007.3	3.83	2.07	15.74	4.26	1495.28
FT-SE Mid 250	4086.7	....	4086.9	4072.4	4078.2	3397.2	3.59	1.82	18.20	19.11	1617.61
FT-SE Mid 250 ex Inv Trusts	4090.9	.....	4091.8	4078.3	4083.7	3412.4	3.73	1.87	17.92	20.48	1621.00
FT-SE-A 350	1854.5	-0.5	1863.9	1853.4	1861.5	1504.2	3.78	2.02	16.36	3.80	1520.09
FT-SE-A 350 Higher Yield	1857.0	-0.8	1871.8	1853.2	1872.3	1533.5	4.64	1.84	14.64	5.80	1264.90
FT-SE-A 350 Lower Yield	1856.8	-0.2	1860.8	1846.0	1855.0	1474.6	2.88	2.34	18.70	1.05	1268.74
FT-SE SmallCap	2003.76	+0.1	2002.59	1996.69	1995.87	1713.99	3.12	1.88	21.95	2.06	1621.85
FT-SE SmallCap ex Inv Trusts	1975.37	+0.1	1974.32	1969.38	1968.02	1696.88	3.34	1.91	19.54	2.16	1607.59
FT-SE-A ALL-SHARE	1828.67	-0.5	1837.17	1827.22	1834.51	1489.05	3.73	2.01	16.69	3.33	1522.83

FT-SE Actuaries All-Share

	Jan 25	Day's chge%	Jan 24	Jan 23	Jan 22	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3174.05	-0.2	3179.24	3148.03	3176.15	2646.66	3.68	2.02	16.77	0.00	1335.67
12 Extractive Industries(6)	4116.69	+0.3	4105.33	4062.70	4086.07	3586.00	3.60	2.56	13.55	0.00	1180.37
15 Oil, Integrated(3)	3209.21	-0.3	3220.44	3192.01	3227.06	2641.71	3.88	1.95	16.68	0.00	1384.39
18 Oil Exploration & Prod(15)	2130.43	+0.7	2115.37	2083.27	2082.09	1870.32	2.30	1.48	36.67	0.00	1264.55
20 GEN INDUSTRIALS(276)	2008.38	-0.6	2020.88	2013.80	2021.78	1780.47	4.11	1.90	16.01	0.64	1079.34
21 Building & Construction(34)	1044.67	+0.4	1040.45	1040.64	1043.29	943.49	3.82	2.17	15.06	0.36	860.98
22 Building Matls & Merchs(32)	1814.97	+0.1	1813.31	1798.53	1803.66	1686.36	4.13	2.03	14.91	0.40	900.94
23 Chemicals(23)	2419.68	-1.7	2461.75	2454.33	2478.14	2229.28	4.05	1.67	16.52	0.91	1127.14
24 Diversified Industrials(21)	1813.68	-0.9	1829.24	1828.99	1840.62	1757.48	5.44	1.58	14.51	0.00	981.68
25 Electronic & Elect Equip(36)	2255.26	+0.1	2252.92	2235.10	2241.72	1817.46	3.20	1.96	20.00	1.31	1159.22
26 Engineering(71)	2228.31	-0.5	2238.90	2231.31	2236.01	1723.43	3.35	2.24	16.69	1.02	1334.55
27 Engineering, Vehicles(13)	2605.71	-0.9	2629.92	2615.08	2631.82	2082.84	3.93	1.28	25.24	0.00	1328.56
28 Paper, Pckg & Printing(26)	2615.40	-1.0	2642.12	2630.11	2623.36	2740.73	3.81	2.53	12.96	0.39	1073.13
29 Textiles & Apparel(16)	1508.01	+0.1	1506.48	1508.90	1512.01	1479.10	4.81	1.60	15.12	0.00	904.45
30 CONSUMER GOODS(87)	3667.68	-0.6	3689.10	3665.03	3675.47	2780.07	3.71	1.79	18.79	8.30	1395.54
32 Alcoholic Beverages(8)	2861.33	-1.6	2906.69	2913.61	2898.48	2513.33	4.26	1.79	16.41	27.39	1031.89
33 Food Producers(23)	2646.51	-0.2	2652.68	2637.09	2639.30	2290.04	3.89	1.81	17.75	0.13	1173.82
34 Household Goods(15)	2695.05	-0.2	2699.71	2696.50	2713.41	2443.05	3.59	2.15	16.20	1.41	1012.54
36 Health Care(20)	1937.84	+0.5	1927.31	1924.75	1930.89	1573.62	2.68	1.76	26.75	2.08	1165.03
37 Pharmaceuticals(13)	5158.12	-0.2	5165.02	5105.04	5140.19	3337.59	3.18	1.70	23.10	0.05	1722.11
38 Tobacco(1)	4824.17	-1.7	4908.88	4883.46	4896.17	3759.22	4.97	1.94	12.96	0.00	1167.11
40 SERVICES(254)	2265.52	-0.1	2268.92	2273.04	2261.25	1839.75	2.96	2.12	19.75	2.75	1173.06
41 Distributors(32)	2598.16	+0.4	2588.06	2600.59	2629.07	2261.87	3.69	1.79	18.97	0.00	945.61
42 Leisure & Hotels(24)	2853.82	-0.1	2856.78	2781.66	2771.98	2052.99	3.03	2.04	20.17	12.51	1472.43
43 Media(46)	3597.99	-0.3	3609.31	3581.73	3591.89	2704.81	2.11	2.24	26.46	4.26	1289.24
44 Retailers, Food(15)	2024.32	-1.5	2055.88	2041.74	2057.92	1815.20	3.81	2.41	14.39	0.00	1287.59
45 Retailers, General(43)	1927.66	+0.4	1919.54	1915.02	1928.07	1498.00	3.06	2.27	17.91	1.13	1087.31
47 Breweries, Pubs & Rest.(24)	2892.76	-0.4	2905.09	2884.82	2885.05	2194.34	3.41	2.07	17.69	7.81	1379.62
48 Support Services(49)	1934.91	-0.1	1936.85	1928.37	1931.13	1459.87	2.42	2.50	20.65	1.81	1219.61
49 Transport(21)	2295.29	+0.7	2279.81	2268.05	2289.94	2177.04	3.78	1.39	23.80	1.17	943.06
60 UTILITIES(34)	2411.16	-0.8	2430.43	2449.92	2469.57	2383.67	5.13	2.02	12.08	24.95	1019.09
62 Electricity(13)	2656.49	-0.2	2662.34	2685.41	2688.67	2473.55	5.21	2.62	9.16	95.99	1281.53
64 Gas Distribution(2)	1629.34	-1.1	1647.92	1651.00	1673.40	1975.24	7.35	1.04	16.34	0.00	817.47
66 Telecommunications(7)	1976.46	-1.2	1999.92	2026.01	2051.62	1995.79	4.27	1.74	16.80	0.00	894.60
68 Water(12)	2079.89	-0.4	2088.46	2080.75	2084.52	1701.61	5.86	2.61	8.17	3.61	1128.89
69 NON-FINANCIALS(669)	1923.14	-0.4	1931.54	1923.10	1932.35	1616.67	3.78	1.98	16.83	4.30	1438.45
70 FINANCIALS(108)	2973.52	-0.7	2994.33	2964.36	2989.63	2075.38	3.80	2.32	14.14	0.39	1255.96
71 Banks, Retail(8)	4264.28	-0.9	4304.92	4246.90	4254.98	2711.87	3.51	2.60	13.66	0.00	1386.96
72 Banks, Merchant(6)	3523.64	-0.7	3548.84	3592.06	3592.06	3048.62	2.64	2.41	19.63	0.00	1104.63
73 Insurance(24)	1458.11	-0.5	1465.78	1449.78	1441.51	1155.33	5.02	2.69	9.26	0.06	1068.70
74 Life Assurance(6)	3433.84	-0.8	3460.41	3444.65	3459.82	2260.15	4.06	1.53	20.08	0.00	1398.95
77 Other Financial(23)	2404.75	+0.4	2395.44	2398.20	2395.37	1853.14	3.71	1.86	18.05	0.00	1348.30
79 Property(41)	1468.24	.....	1468.13	1459.78	1464.61	1350.96	4.24	1.32	22.37	2.02	891.72
80 INVESTMENT TRUSTS(127)	3116.95	+0.1	3114.30	3097.63	3104.42	2596.84	2.14	1.05	55.66	3.76	1080.68
89 FT-SE-A ALL-SHARE(904)	1828.67	-0.5	1837.17	1827.22	1834.51	1489.05	3.73	2.01	16.69	3.33	1522.83
FT-SE-A Fledgling	1134.84	+0.2	1132.24	1128.52	1129.32	987.10	2.98	2.21	19.02	1.88	1174.49
FT-SE-A Fledgling ex Inv Trusts	1132.06	+0.2	1129.43	1127.25	1127.06	990.90	3.26	2.41	15.87	1.79	1170.89

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3761.6	3755.9	3755.6	3756.9	3753.8	3750.5	3750.0	3741.5	3734.0	3761.6	3734.0
FT-SE Mid 250	4091.1	4090.5	4093.0	4094.2	4093.9	4094.4	4094.3	4091.5	4087.9	4095.2	4086.7
FT-SE-A 350	1865.7	1863.4	1863.5	1864.1	1862.9	1861.6	1861.4	1857.8	1854.6	1865.7	1854.5

Time of FT-SE 100 Day's high: 8.30am Day's low: 4.10pm. FT-SE 100 1995/96 High: 3758.2 (24/1/96) Low: 2954.2 (23/1/95).

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1043.5	1042.5	1043.0	1048.6	1047.9	1047.9	1047.9	1048.9	1048.9	1048.9	1041.0	+7.9
Pharmaceuticls	5116.4	5118.3	5120.7	5114.9	5114.0	5116.9	5118.2	5101.7	5096.3	5097.6	5106.5	-8.9
Water	2083.0	2083.2	2082.9	2082.2	2080.8	2080.7	2080.4	2074.8	2071.5	2072.6	2081.3	-8.7
Banks, Retail	4359.1	4342.8	4350.7	4345.7	4335.9	4335.8	4353.5	4322.1	4308.8	4318.6	4359.7	-41.1

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL. The FT "500" has been renamed FT-SE-A Non-Financials index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1996. © The Financial Times Limited 1996. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

TRADING VOLUME

Major Stocks Yesterday

[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All issues are rounded.

CONTRACTS & TENDERS

صكذا من الاصل

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

INDICES

US INDICES

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x Index)							
Jan	1957.0	1949.5	-4.5	1966.0	1945.0	17,128	31,325
Feb	1963.0	1956.5	-4.5	1971.0	1953.5	3,584	6,184
DAX							
Mar	2454.0	2454.0	+8.0	2467.0	2439.0	26,396	-
Jun	2461.5	2466.0	+7.5	2477.5	2453.0	467	-

	Open	Sett Price	Change	High	Low	Est. vol	Open int.
OMX							
Jan	1347.00	1343.00	+6.00	1349.00	1346.00	3,421	84,323
Feb	1360.00	1352.00	+7.00	1355.00	1343.00	3,968	5,613
SOFFEX							
Jan	3230.9	3216.0	-12.5	3243.5	3207.0	7,687	13,847
Feb	3229.0	3220.0	-17.0	3229.0	3129.0	27	1,292

	Open	Latest	Change	High	Low	Est. vol.	Open int.
S&P 500							
Mar	621.75	620.85	-1.30	622.85	619.60	81,091	187,981
Jun	627.30	626.00	-1.45	627.70	625.10	469	6,481

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Nikkei 225							
Mar	20500.0	20480.0	+110.0	20550.0	20380.0	21,783	148,985
Jun	20480.0	20520.0	+310.0	20530.0	20370.0	786	22,861

Open interest figures for previous day.

* Sat Jan 20: Taiwan Weighted Price 5037.25; Korea Comp Ex 842.72. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 25 - 2457.02 +0.34.

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ⊕ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

TOKYO - MOST ACTIVE STOCKS: Thursday, January 25, 1996

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
KyoKuyo	13.7m	694	+100	Koa Oil Co	8.1m	1390	+70
Takara Shuzo	11.7m	1210	+40	Nippon Formula F	6.8m	620	+51
Daido Stl Sheet	10.0m	1910	-20	Japan Paper Ind	6.2m	985	+40
Toshiba Corp	8.4m	830	+10	Mitsubishi Elect	5.5m	750	+4
Nippon Steel Corp	8.5m	354		Mitsubishi Matl	4.6m	580	+6

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995/96, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

FT FREE ANNUAL REPORTS SERVICE
You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT3298. Ring 0181 770 0770 (open 24 hours including weekends) or fax 0181 770 3822. If calling from outside the UK, dial +44 181 770 0770 or fax +44 181 770 3822. Reports will be sent on the next working day, subject to availability.

هكذا من الاصل

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close January 25

1995/96 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
22⅛	12⅛	AAR x	0.48	2.4	24	288	20⅝	20⅛	20⅜	-⅛
46¼	35	AMP	0.92	2.4	19	11943	38	37½	37¾	+¼
80¼	53⅝	AMR			29	4744	76⅛	73	73⅜	-2⅝
47⅞	35⅜	ASA	1.71	3.7	30	1747	46⅞	45½	46	+1⅛
44¾	30¾	AbbtL	0.84	2.1	18	10516	39¾	38¼	39⅝	-⅛
16⅞	12	AbtIbi Pr	0.40	2.6	8	802	15⅝	15½	15½	-⅛
28½	21	ABM Ind x	0.70	2.5	16	38	28⅜	28¼	28⅜	+⅛
17½	13⅛	Acptcab			10	90	14⅜	14⅛	14¼	-¼
44	21⅞	ACE Ltd	0.56	1.3	10	803	43¾	43	43¾	+¼
9⅞	8⅛	ACM Gvt In	0.90	9.4	6	1355	9¾	9⅝	9⅝	-⅛
7¾	6½	ACM GvOpp	0.65	8.6		424	7½	7⅜	7½	
7½	5¾	ACM Gvt Sp	0.75	10.7		1753	7⅛	6⅞	7	
8⅞	7¼	ACM Gvt Se	0.90	10.3		1730	d8⅞	8¾	8¾	
8½	7⅝	ACM Man	0.80	9.7		241	9¼	9⅛	9¼	+¼
29¼	10¼	AcmeClv	0.48	2.5	4	210	19½	19	19	-⅛
38¾	7⅞	Acme Elect			68	74	8⅜	8	8⅜	+⅛
34½	23¾	Acordia	0.72	2.5	15	z100	29	29	29	
16¾	10⅛	Acxeon			43	938	14½	13¾	14	+⅛
19⅝	15⅝	Adams Expr	0.36	1.9	0	132	18¾	18⅝	18¾	
38⅞	16⅛	Advatc			7	16561	20⅞	20⅜	20½	-¼
8¾	5	Advest Grp	0.16	1.7	8	43	9⅝	9½	9½	+⅛
27½	16½	Advo Inc	0.10	0.5	21	789	20⅝	20¼	20½	-⅛
46¾	24.80	Aegon	1.28	2.9	16	52	44⅜	44	44⅜	
5⅞	3⅜	Aerlix			6	168	3⅝	3½	3⅝	
76¾	46¾	AetnaL x	2.76	3.7	35	2943	73⅞	73¼	73⅞	+⅝
47⅛	31⅞	Aflac	0.52	1.1	13	1535	46¾	46	46⅜	-⅜
28⅜	16	Ahmson	0.88	3.8	7	20962	23	22⅜	22⅞	+1
59½	43⅞	AirPrC	1.04	2.0	16	10175	51¼	50⅜	50¾	-⅝
29½	18⅞	Airbse Frt	0.30	1.1	24	716	26¼	25½	26⅛	+⅜
[illegible]										

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

NYSE COMPOSITE PRICES

4 pm close January 25

Continued from previous page

[illegible]

NASDAQ NATIONAL MARKET

4 pm close January 25

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
ABS Inds	0.20	1	2319	2 1/8	d1 3/8	1 3/4	-3/8
ACC Corp	0.12	22	822	24	23 5/8	24	+3/8
Acclaim E		121	1027	10 5/8	d9 7/8	10 3/16	+3/16
Acme Mtls		6	59	16 3/4	16 1/4	16 1/4	-1/2
Acxiom Cp		41	794	26	25 1/2	26	+3/8
Adaptech		24	11008	43 7/8	42 1/4	42 5/8	-7/8
ADC Tele		34	9732	35 1/4	32 1/4	32 1/4	-2 1/4
Addington		46	45	14 3/4	14	14	
AdiaADR	0.16	10	30	22 1/4	22 1/4	22 1/4	+1
Adobe Sys x	0.20	31	14462	41 3/4	38 7/8	39 1/8	-1 1/2
Adv Logic		12	544	7 1/8	6 7/8	7 1/8	+1/4
Adv Polym		14	2897	6 7/8	6 3/8	6 7/8	+1/8
AdvTchLab		55	977	26	25 1/2	25 1/2	-1/8
Advanta	0.27	12	2516	41	39 3/4	40 1/4	-1/4
AgnicoEa	0.10	45	43	u16 1/4	15 7/8	16 1/4	+1/4
AirExpr	0.20	14	1219	21 3/4	21	21 1/2	+1/8
Akzo ADR	1.63	5	407	54 1/4	53 3/4	53 3/4	-5/8
AldSld	0.88	23	297	23 1/2	23	23 1/4	+1/8
Allen Org	0.52	12	14	42 1/4	41 1/4	41 1/4	
Allen Ph		12	1318	16	15 3/4	15 3/4	-1/8
AlldCapII	1.16	15	34	17 3/4	17	17 1/2	+1/8
Alld Cap	1.54	12	83	13 7/8	13 3/8	13 3/4	+1/4
Aloette C	0.32	0	26	2 5/8	2 5/8	2 5/8	-1/4
Alta Gold	0.06	16	5765	u2 3/4	2 7/16	2 11/16	+3/16
Altera Co		32	27580	65 5/8	62	62 1/4	-2 7/8
Am Banker	0.76	11	1204	36 5/8	35 7/8	36 1/8	+1/8

[illegible]

AMEX COMPOSITE PRICES

4 pm close January 25

[illegible]

AMERICA

Dow declines as earnings come in mixed

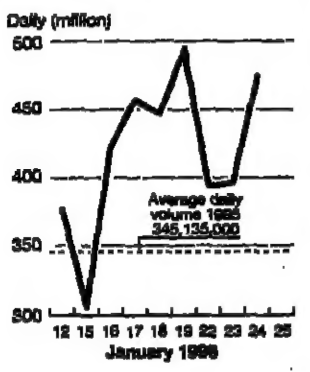
Wall Street

US shares were modestly lower by early afternoon after a volatile morning that saw several components of the Dow Jones Industrial Average report quarterly earnings, *writes Lisa Bransten in New York.*

At 1 pm, the Dow was 10.47 weaker at 5,232.37 and the Standard & Poor's 500 had *fallen 0.99 to 618.97. The American* SE composite rose 4.42 to 541.93, while the technology-rich Nasdaq composite was off 1.68 at 1,041.78. NYSE volume was 256m shares.

Shares also came under some pressure from losses on the bond market. The benchmark 30-year Treasury bond was nearly a full point lower in early trading to yield 6.098 per cent, in part because of rising gold prices and new supply released on to the market after Wednesday's auction of five-year notes.

NYSE volume



Earnings reports from companies in the Dow were mixed. Boeing added $¼ at $77½ after beating analysts' expectations, while Coca-Cola slipped $1¼ to $73¾, in spite of reporting earnings exactly in line with expectations. Procter & Gamble shed $2⅞ or 3 per cent at $85¾ *after falling just short of* expectations with earnings of $1.18 per share.

P&G had added $2⅛ on Wednesday after the Food and Drug Administration approved the use of its fat substitute, olestra, in the manufacture of salty snacks.

In other earnings-related activity, Schering-Plough added $1 *or 2 per cent* at $53¾ after reporting earnings of 66 *cents a share, 2 cents ahead of* analysts' estimates. Novellus *Systems was $2⅜ or 5 per cent* stronger at $57⅞ after beating *estimates by 11 cents a share* with earnings of $1.45 per share. Southwest Airlines jumped $3 or 13 per cent after reporting *profits of 29* cents a share, 3 cents a share ahead of estimates.

AT&T fell $1 to $64⅛ after reporting earnings of 94 cents a share, 2 cents a share short of estimates.

In other news, Hasbro jumped $11⅝ or 37 per cent to $42 on news that Mattel – the biggest toy company in the US – had offered to buy Hasbro for $5.2bn. Meanwhile, Mattel fell $1 or 3 per cent to $31.

Canada

Toronto moved ahead in brisk midday trade in spite of the pullback on Wall Street, as gold shares rallied on firmer bullion prices. At noon, the TSE-300 composite index was 10.01 higher at 4,874.15 in hefty volume of 50.4m shares.

The 14 sub-groups were evenly split among winners *and losers*, with *the golds* sector, up 2.3 per cent, leading the former. Merchandising, however, fell 3.3 per cent, mostly due to a C$10¼ plunge to C$23¾ in Loewen Group, one of North America's biggest funeral home operators, after a Mississippi court ordered it to post a $625m bond in its appeal against a jury award.

Among companies with earnings reports pending, the volatile *Plaintree Systems* gave up C$⅝ to C$7⅞; actively traded *issues featured* Agrium, the fertiliser company, which overcame some *early weakness* to trade unchanged at C$17⅞.

Mexico takes profits

Mexico City was softer by midday as profits were taken. The IPC index was off 27.72 or 1 per cent at 3,026.91.

Brokers said that as well as taking profits following the market's recent steady rise, investors were concerned about a rise in inflation.

BUENOS AIRES was little *changed by midday*, with the Merval index just 4.24 easier at 547.46. *SAO PAULO was closed* for a public holiday, and interest switched to RIO DE JANEIRO, where trading failed to come alive. By midday the BVRJ index was standing 7.00 higher at 18,557 in turnover of some R$10m.

SANTIAGO was pressured by reports that *foreign* institutions were selling ADRs on Wall Street. By midsession the IGPA index was down 15.76 at 5,710.28.

S Africa back on upward path

Johannesburg ended a brisk day firmer across the board, with industrials supported by local and offshore interest while golds inched up in spite of worries over the outlook for the bullion price.

Analysts noted that demand for industrials stemmed from growing expectations of pleasant surprises in the imminent release of major company results, due next month.

Gold shares ended the day mildly higher after tracking the metal price. But bullion's afternoon surge above the $406 level came too late to influence trade and this was expected to get underneath gold counters early on Friday.

The overall index rose 19.2 to *6,950.3*, industrials advanced 27.5 to 8,739.3 and golds ticked up 11.6 to 1,669.5.

Vaal Reefs closed R7 up at R355, Western Deep rose R1 to R109 and Beatrix picked up 50 cents to R37.50.

Anglo American, whose mines are the world's biggest gold producers, put on R1.50 at R272.50.

Among industrials, South African Breweries declined R1 to R142.50, with heavy trade in the conglomerate, Safren, seeing it soften 25 cents to R14. In petrochemicals, *Sasol* firmed 25 cents to R33.75.

EUROPE

Contrast in banking sector as Dax peaks again

The Dax index rose to new peaks, 2,443.72 on the official session and 2,437.02, up a mere 0.34, at the Ibis afternoon close. But FRANKFURT's main offer*ing was a striking contrast* in banks, where Deutsche rose DM1.62 to *DM70.85* but Commerzbank fell DM8.70 or 2.5 per cent to DM339.

Merrill Lynch downgraded Deutsche earlier this month but Germany's biggest bank staged a recovery as Daimler, in which it owns a 24.3 per cent stake, rose DM16.10 further to DM820.50. Commerzbank had been weak already *on its exposure to Bremer* Vulkan, before the Bremen gov*ernment underwrote a new* bank loan *for* the shipbuilder *on Tuesday.*

Yesterday's story, said Mr *Ian McEwen of Merrill*, was that Commerzbank was exposed to losses of between DM150m and DM200m on bond *issues which it had arranged* for Fokker, the distressed Dutch airframe builder from which Daimler withdrew financial support this week.

In the broad market, the Dax came back from an early Ibis peak of 2,458.92, but equity brokers were still celebrating as turnover hit DM15.6bn: over the past 12 months it had only been higher when options expiry inflated the regular volume totals.

FT-SE Actuaries Share Indices

Jan 25							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1545.53	1546.00	1548.20	1548.05	1546.78	1546.76	1545.36	1543.35
FT-SE Eurotrack 200	1651.86	1654.23	1655.74	1656.72	1655.37	1655.73	1654.18	1651.49

	Jan 24	Jan 23	Jan 22	Jan 19	Jan 18
FT-SE Eurotrack 100	1540.69	1529.19	1530.48	1544.02	1537.43
FT-SE Eurotrack 200	1648.52	1634.84	1641.80	1639.88	1633.89

Base 1000 (26/10/90); Highday: 100 - 1548.17; 200 - 1656.87 Lowday: 100 - 1543.35 200 - 1651.28 ? Partial

AMSTERDAM found it difficult to make progress, but Philips continued to find support in spite of worries about *losses at its German subsidiary* Grundig.

As the AEX index slipped 0.68 to 508.01, Philips gained 70 *cents to Fl 66.40, off a session's* high of Fl 68.

Fokker, now traded on the unofficial list reserved for companies *with negative equity*, lost 30 cents to Fl 2.90 as talks continued in an attempt to salvage the business.

PARIS overcame technical problems at the outset and made up for lost time; the CAC-40 index ended the first session of the new account up 4.22 at 1,960.19, off the day's high of 1,965.00. Turnover was about FFr3bn.

Saint-Gobain, the building materials and glass company, made FFr4 to FFr585 ahead of reporting after the close of trading that its 1995 profits had risen by 16 per cent.

ZURICH ran into late profit-taking, which blunted earlier gains in response to renewed enthusiasm over Ciba's fore*cast on Wednesday* that it would post higher than expec*ted profits* for 1995.

The SMI index turned back *from a high of 3,245.5 to* finish 10.1 weaker at 3,211.2.

Ciba bucked the trend, advancing SFr13 to SFr995, while Ares Serono, the biotechnology group, picked up SFr45 *to SFr865 as it announced that* 1995 group sales rose 7.1 per cent.

A SFr27 drop in UBS bearers to SFr1,238 was attributed to derivatives-related transactions, and easing bond prices.

MILAN was weighed down by worse than expected wage inflation figures, and mounting uncertainty on the political front as President Oscar Luigi Scalfaro prepared for fresh consultations next week.

The Comit index fell 4.55 to 610.93 while the real-time Mibtel index lost 61 to 97,963.

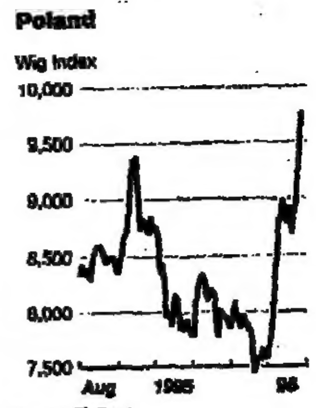
Olivetti, down L61 to 1,927, continued to be pressured by the worse *than expected* loss for 1995. News of its plans to cut 1,000 jobs to meet its *1996* target of a return to profits, after five years of losses, failed to placate investors.

MADRID set a new high in spite of afternoon weakness in the peseta and in bonds, the general index closing 1.09 ahead at 331.43, after 332.71, in turnover of Pta44bn plus.

STOCKHOLM thanked Ericsson and Volvo as the Affärsvärlden General index closed 6.0 higher at 1,728.7, the telecoms group rising SKr4.50 or *3.4 per cent* to SKr137 following an overnight rally by US tech *stocks on a report that Fidelity* Investments was buying; Volvo rose SKr3 to SKr130.

BRUSSELS, where the Bel-20 *index fell 20.16 to 1,642.90* after a late spate of basket selling, *featured a 4.7 per cent gain in* UCB; the pharmaceuticals and chemicals stock has become seriously popular with international investors over recent months, and rose another BFr2,025 to BFr44,950, after BFr46,000.

Poland



Source: FT Extel

HELSINKI contrasted Nokia, up FM5 or 3 per cent to FM174 as high-technology stocks worldwide found favour once again with investors, with Outokumpu, the mining and metals group, down more than 6 per cent, FM4.30 to FM64, on disappointment with its preliminary 1995 results.

The HEX rose 6.18 to 1,719.66 in turnover of FM372.5m.

WARSAW surged after the resignation of the prime minister, Mr Jozef Oleksy, which ended a period of uncertainty for equities and, partially, resolved fears of imminent parliamentary elections. The Wig index rose nearly 5 per cent to 9,716.7 as turnover expanded from 38.9 zlotys to 177.3m.

Elektrim rose by the daily permitted 10 per cent limit as investors anticipated that it would win a tender to provide the country with a GSM cellular-telephone network.

BUDAPEST was favoured *mainly by foreign institutions* as the BUX index rose 64.36 or *3.5 per cent to 1,869.79*. Traders noted that shares dealt on Seaq International in London showed the best rises during the session, including OTP, MOL and Richter.

VIENNA's bull run showed no sign of abating as the market soared to a 16-month closing high. The ATX index gained 10.55 or 1 per cent to 1,069.30.

The strongest performance came from AMS, the recently volatile high-tech issue, which advanced Sch85 or 6.1 per cent to Sch1,475.

The breweries, Brau Union and BBAG, continued to make ground ahead *opf next week's* BBAG 1995 earnings. Brau Union put on Sch22 at Sch561 and BBAG Sch5 at Sch519.

Written and edited by William Cochrane, Michael Morgan and John Pitt

ASIA PACIFIC

High-techs lift Nikkei, Hang Seng at 23-month high

Tokyo

The dollar's rise above the Y107 level for the first time in two years prompted purchases of high-technology stocks and led the overall market higher, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index gained 101.95 at 20,414.69 after fluctuating between 20,289.02 and 20,457.64. The overnight surge on Wall Street and the dollar's rise improved confidence, although domestic investors continued to take profits.

Volume was 556m shares, against 450m. The Topix index *of all first section stocks* put on 10.01 at 1,583.64 and the Nik*kei 300 rose 1.71 to 296.49. Gain*ers led losers by 743 to 329, with 143 issues unchanged.

In London the ISE/Nikkei 50 index eased 0.43 to 1,385.83.

Corporate investors and financial institutions took profits on holdings ahead of the March book-closing. The Nikkei later regained strength on arbitrage-related buying and purchases of high-technology issues by foreign institutions.

Reports that banks were poised to agree to accept the government's plan to share losses from the liquidation of the housing loan companies lifted banks. Short-covering *and buying by overseas* investors boosted the sector, with Industrial Bank *of Japan* firming Y60 to Y2,960 and Fuji *Bank* Y40 to Y2,330.

Overseas funds bought high-technology stocks. Toshiba added Y10 at Y830 and Mitsubi*shi Electric* Y4 at Y750. Consumer electronics shares also advanced, with Matsushita Electric Industrial appreciating Y20 to Y1,720 and TDK Y100 to Y5,300.

Sony, however, lost Y10 at Y6,290 on prevailing worries of oversupply of stock. The shares fell heavily on Wednesday on reports that the company planned to raise Y300bn through a convertible bond.

Supply worries did not affect NTT Data Communications, which announced that it will issue Y97bn through a public equity offering. The stock, listed on the second section, moved up Y160,000 to Y3.28m. Mr Makio Inui at Kleinwort Benson said a decline in the company's debt due to the cap*ital increase would be regarded* favourably by investors.

Mining stocks, which had rallied recently on the rise in gold prices, retreated on profit-taking. Sumitomo Metal Mining dipped Y20 to Y1,010.

Speculative issues were traded actively. Kyokuyo, a fishing company, was the most active stock of the day, rising Y100 to Y694, and Takara Shuzo, the distilled spirits maker, climbed Y40 to Y1,210.

In Osaka, the OSE average firmed 181.67 to 21,797.73 in volume of 268.9m shares.

Roundup

For the first time in 23 months, HONG KONG broke through the 11,000-point level, leaving the Hang Seng index to close 142.87 or 1.3 per cent higher at 11,103.08, after hitting an intraday peak of 11,153.86.

Turnover swelled to HK$9bn from Wednesday's total of HK$6.9bn.

One analyst observed that liquidity had kept pouring in, pushing the market higher in spite of rumours of a China Light placement and a warrant issue on New World.

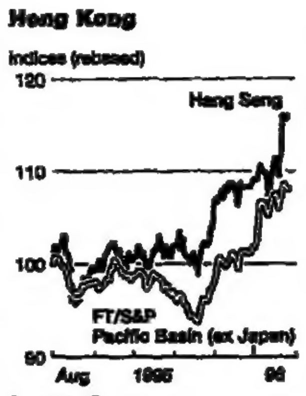
While China Light slid 30 cents to HK$37.30 on the placement talk, *major property* stocks and banks advanced. Cheung Kong moved ahead HK$1.50 to HK$56.25, Sun Hung Kai *Properties* HK$2.75 to HK$68.75 and New World 80 cents to HK$36.80.

MANILA defied forecasts that it was heading for a technical correction and ended at a five-month high, bolstered by Wall Street's overnight record close. The composite index added 28.38 or 1 per cent at 2,902.72.

Turnover came to 5.9bn shares worth 2.8bn pesos, boosted by heavy interest in the newly listed cargo handler Asian Terminals.

TAIPEI felt the effect of a further bout of diplomatic tension with mainland China and the weighted index tumbled 73.65 to 4,940.07, off a low of 4,937.81. Volume was 677m *shares* worth T$19.43bn.

Hong Kong



Source: FT Extel

Food and paper stocks shed 1.8 per cent and 1.7 per cent respectively, while construction and financial shares each lost 1.5 per cent.

Individual stories included China Development, which weakened T$1.50 to T$77.00 after announcing a forecast for *1996 earnings.*

SINGAPORE saw brisk *demand by foreign funds for a* number of blue chip companies, taking the Straits Times Industrial index ahead 22.75 to 2,433.00.

KUALA LUMPUR was led lower by selling in selected blue chips as investors remained nervous over expectations that the trade deficit for October 1995, expected to be announced on Friday, would be as high as M$1.6bn. The composite index finished down 3.81 at 1,056.69, having turned back *from an early high of 1,084.42.*

SEOUL edged ahead as demand revived for recently overlooked stocks that had recently fallen, and the composite stock index closed 2.62 up at 868.17 in volume of 25.9m shares.

Hanwha Chemical rose Won300 to Won11,100, while *Kun Young Construction* picked up Won20 to Won7,160 after *its recent losses which* followed the failure of Woosung Construction.

BANGKOK withstood several rounds of profit-taking during the session before closing higher on buying in the banks sector. The SET index made 5.01 to 1,383.31 in modest turnover of Bt12bn.

There was interest in newly listed Aromatics, which ended at Bt33, after an intra-day high *of Bt38.25*, and against its offer price of Bt30. The stock topped the most active issues in turnover of Bt1.34bn.

SYDNEY made gains on offshore buying, while overall trading was also boosted by expiry of options.

The All Ordinaries index rose 18.2 to 2,253.9, ahead of today's Australia Day holiday.

BOMBAY fell prey to *rumours that Prime Minister P* V Narasimha Rao had dissolved India's lower house of parliament and the BSE-30 index closed 12.49 off at 2,826.08 after hitting a 26-month low of 2,820.26.

The government in Delhi denied the rumours, but investors, worried about an $18m bribery scandal involving many political leaders, including ministers in Rao's cabinet, became increasingly nervous.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY JANUARY 24 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY JANUARY 23 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (81)	189.91	-0.2	185.10	127.48	145.38	170.49	-0.5	3.82	189.33	185.40	128.64	145.41	171.31	198.40	167.65	167.04
Austria (26)	185.11	1.0	181.36	124.92	142.48	142.29	1.2	1.52	183.31	179.50	122.61	140.78	140.91	199.28	167.48	174.05
Belgium (34)	213.84	0.2	209.24	144.11	164.34	160.30	0.5	3.26	213.00	206.58	142.47	163.59	159.55	215.22	168.66	168.07
Brazil (28)	155.56	-1.0	152.42	104.98	119.72	279.64	-1.0	1.58	157.14	153.86	105.11	120.69	282.38	180.23	86.06	143.28
Canada (101)	152.91	0.8	149.83	103.20	117.68	151.65	0.6	2.46	151.72	148.56	101.49	116.53	150.67	153.19	121.81	124.42
Denmark (33)	299.93	0.8	293.89	202.42	230.83	233.56	1.0	1.40	297.42	291.25	198.95	228.43	231.18	302.74	246.19	246.19
Finland (24)	178.14	0.7	174.55	120.22	137.10	169.44	0.5	1.86	176.89	173.22	118.39	135.94	168.57	278.11	171.13	188.10
France (99)	180.72	0.2	177.07	121.96	139.08	143.89	0.5	3.16	180.37	176.62	120.65	138.53	143.16	191.17	158.04	158.04
Germany (60)	168.89	1.2	165.49	113.98	129.98	129.98	1.4	1.84	166.87	163.41	111.62	128.16	128.16	168.46	139.77	140.17
Hong Kong (59)	426.29	-0.1	417.70	287.69	328.07	423.22	0.0	3.38	426.54	417.68	285.31	327.59	423.38	426.54	278.77	278.77
Ireland (16)	257.00	-0.6	251.81	173.44	197.78	230.92	-0.4	3.32	258.44	253.08	172.87	198.49	231.82	282.70	205.44	207.51
Italy (59)	76.39	0.4	74.85	51.56	58.79	90.83	0.2	1.62	76.09	74.51	50.90	58.44	90.62	82.71	68.45	82.02
Japan (482)	148.90	-0.2	145.90	100.49	114.59	100.49	0.7	0.78	149.17	146.07	99.78	114.57	99.78	164.82	136.95	141.44
Malaysia (108)	517.27	-1.4	506.84	349.09	398.09	510.30	-1.1	1.83	524.43	513.54	350.79	402.77	515.98	551.96	398.16	398.16
Mexico (18)	1192.28	-1.8	1168.24	804.64	917.57	9711.68	-0.5	1.43	1214.86	1189.64	812.61	933.04	9756.03	1237.14	847.81	1089.46
Netherland (19)	274.43	0.8	268.90	185.21	211.20	207.68	1.0	3.14	272.29	266.63	182.13	209.12	205.61	280.49	217.98	219.21
New Zealand (14)	76.26	-0.6	74.73	51.47	58.69	80.89	-1.1	4.77	76.76	75.16	51.34	58.95	81.65	85.49	71.22	72.05
Norway (33)	228.25	0.0	223.65	154.04	175.66	200.82	0.1	2.08	228.33	223.58	152.73	175.38	200.67	243.79	202.76	207.98
Singapore (44)	438.69	0.1	429.84	296.06	337.61	287.33	0.3	1.40	438.01	428.92	292.99	336.41	286.45	438.69	313.94	313.94
South Africa (45)	434.32	-0.3	425.57	293.11	334.25	346.48	-0.2	3.39	435.59	426.55	291.36	334.54	347.28	456.59	281.06	298.72
Spain (37)	165.57	0.6	162.23	111.74	127.42	158.45	0.6	3.90	164.57	161.15	110.08	126.38	158.28	168.91	124.10	127.69
Sweden (47)	300.59	0.9	294.52	202.85	231.32	304.67	0.6	1.97	297.87	291.69	199.25	228.77	302.46	324.31	232.23	237.42
Switzerland (40)	224.30	-0.2	219.78	151.38	172.62	165.49	-0.1	1.61	224.90	220.23	150.43	172.73	165.64	239.65	162.35	166.82
Thailand (46)	183.26	-1.6	179.59	123.69	141.05	180.16	-1.5	2.27	186.20	182.33	124.55	143.00	182.97	195.79	130.15	131.71
United Kingdom (208)	228.64	0.5	224.03	154.30	175.96	224.03	0.6	4.15	227.41	222.69	152.11	174.66	222.69	232.23	192.62	192.64
USA (632)	252.67	1.1	247.58	170.52	194.45	252.67	1.1	2.26	249.90	244.81	167.09	191.85	249.90	253.50	190.66	190.65
Americas (779)	230.94	1.1	226.29	155.88	177.73	194.10	1.1	2.24	228.45	223.71	152.81	175.45	191.99	231.18	175.56	175.55
Europe (733)	200.53	0.5	196.49	135.34	154.33	174.70	0.7	3.02	199.49	195.35	133.44	153.22	173.57	204.32	167.29	167.71
Nordic (137)	269.62	0.8	264.19	181.96	207.50	236.26	0.7	1.86	267.59	262.04	178.99	205.52	234.56	295.02	222.22	227.12
Pacific Basin (834)	161.62	-0.2	158.36	109.07	124.38	112.11	0.5	1.19	161.98	158.62	108.35	124.40	111.56	171.87	145.95	147.73
Euro-Pacific (1567)	177.73	0.1	174.16	119.95	136.78	135.66	0.6	2.05	177.51	173.82	118.73	136.33	135.08	183.29	155.97	165.97
North America (733)	246.48	1.1	241.51	166.34	189.69	245.86	1.1	2.29	243.71	238.65	163.02	187.17	243.10	246.93	186.56	186.56
Europe Ex. UK (527)	180.81	0.5	177.16	122.02	139.15	147.43	0.7	2.39	179.89	176.15	120.33	138.16	146.43	184.61	149.99	150.56
Pacific Ex. Japan (352)	279.54	-0.4	273.90	188.65	215.13	247.38	-0.4	2.98	280.68	274.85	187.75	215.57	248.58	280.68	211.43	211.43
World Ex. US (1759)	179.66	0.1	176.04	121.25	138.26	140.19	0.5	2.09	179.48	175.73	120.04	137.83	139.45	184.71	156.85	156.85
World Ex. UK (2185)	189.36	0.6	185.56	134.66	153.44	167.57	0.6	1.95	198.30	194.18	132.64	152.30	166.22	202.03	164.28	164.28
World Ex. Japan (1909)	231.44	0.6	226.78	156.20	178.12	218.55	0.6	2.59	229.69	224.91	153.63	176.40	216.78	232.30	181.89	181.89
The World Index (2391)	201.97	0.6	197.89	136.30	155.43	172.58	0.6	2.16	200.67	196.70	134.36	154.27	171.22	204.65	166.77	166.77

Latest prices were unavailable for this edition.